A3840-1

A Reference Guide for
Employers and Benefits Specialists

EMPLOYEE BENEFITS

Survey Data from Benefit Year 1989

U.S. CHAMBER
RESEARCH CENTER

EMPLOYEE BENEFITS 1990 EDITION
Survey data from benefit year 1989

Copies are available post paid: $25.00 each
Quantity discounts are available

Add appropriate sales tax for deliveries in California and the District of Columbia

Order from Publications Fulfillment (RKVL)
U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062
Reference publication number 0246

Please enclose check or money order made payable to: U.S. Chamber of Commerce. For phone orders please call 1-800-638-6582, or in Maryland, 1-800-352-1450

Any reproduction of this document in whole or part is expressly prohibited unless specific authorization to reproduce is obtained from the:
Office of the General Counsel
U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062

Copyright © 1990 by the U.S. Chamber of Commerce
ISBN 0-89834-115-9

Dr. Richard W. Rahn
Vice President and Chief Economist
Mr. Martin Lefkowitz
Economic Consultant
Jacqueline Tyson
Administrative Assistant
Kimberly McGrath
Editor
Yolanda Parker
Assistant

The EMPLOYEE BENEFITS reports are published annually. Questionnaires for the 1990 survey will be mailed in February 1991. The survey report EMPLOYEE BENEFITS 1991 EDITION is expected to be available in November, 1991.

1. Introduction . . . 1
2. Summary of Findings . . . 2
3. Distribution of Employee Benefits . . . 3
4. Average Benefit Payments . . . 5
5. Industry Variations . . . 11
6. Regional Variations . . . 15
7. Size of Company Variations . . . 17
8. Pension and Insurance Costs . . . 18
9. Percent of Companies Paying Employee Benefits . . . 21
10. Payroll Deductions for Employee Benefits . . . 24
11. Benefits Paid to Part-Time Workers . . . 26
12. Total Employee Benefit Costs . . . 26
13. Supplements to Wages and Salaries . . . 31
14. How Employee Benefits Were Surveyed . . . 33
15. Employer Initiatives to Reduce Health Care Costs . . . 34
16. 10 Ways to Cut Your Health Care Costs Now . . . 36
17. Excerpts From IRS Rules on Employee Benefit Programs . . . 39
18. Copy of Questionnaire Used in Survey . . . 44

1. Distribution of Employee Benefits, 1989 . . . 3
2. Five Levels of Employee Benefits, 1989 . . . 4
3. Distribution of Employee Benefits as percent of Payroll, by Industry Groups, 1989 . . . 4
4a. Employee Benefits, by Type of Benefit: All Employees, 1989 . . . 6
4b. Employee Benefits, by Type of Benefit: Salaried Employees, 1989 . . . 7
4c. Employee Benefits, by Type of Benefit: Hourly Employees, 1989 . . . 8
5. Major Types of Employee Benefits, By Industry Groups, 1989 . . . 9
6. Employee Benefits as Percent of Payroll, By Type of Benefit and Industry Groups, 1989 . . . 12
7. Employee Benefits as Cents per Payroll Hour, by Type of Benefit and Industry Groups, 1989 . . . 13
8. Employee Benefits as Dollars per Year per Employee, By type of Benefit and Industry Groups, 1989 . . . 14
9. Employee Benefits as Percent of Payroll, by Region and Industry Groups, 1989 . . . 16
10. Employee Benefits as Percent of Payroll, by Size and Company and Industry Groups, 1989 . . . 17
11. Pension Payments, Bonuses, and Savings Plan Payments by Industry Group, 1989 . . . 19
12. Pension Payments, Bonuses, and Savings Plan Payments by Type of Pension, and Industry Group, 1989 . . . 20
13. Percent of Companies Paying Employee Benefits, 1989 . . . 22
14. Average Benefit Costs as Percent of Payroll for Companies Paying Employee Benefits, 1989 . . . 23
15. Payroll Deductions for Employee Benefits, 1989 . . . 25
16. Wage Data, by Industry Groups, 1989 . . . 29
17. Growth of Employee Benefits, 1929 to 1989 . . . 30
18. Supplements to Wages and Salaries, 1929 to 1989 . . . 32
19. Cost of Medical Benefits and the Percentage of Companies That Provide Specified Benefits, 1989 . . . 35

1. Employee Benefits as Percent of Payroll, By Industry Groups, 957 Companies, 1989 . . . 10
2. Average Annual Employee Benefits and Earnings, 1989 . . . 27
3. Total Employee Benefits as Percent of Payroll, 1951 to 1989 . . . 28

1. Introduction

This survey of employee benefits continues the program of expanding the quantity and quality of data on benefit programs that we began several years ago. It includes sections on cost containment measures taken by firms in health insurance programs, ten ways to cut your health care cost, and IRS rules relating to benefits costs to offer some guidance as to when your benefits program may not conform to existing IRS rules. In addition, this year our Benefits Analyzer, a computer software program for your firm's benefits programs, is available with the publication. This software makes it possible for firms to calculate more precise comparisons of benefit costs.

The 957 firms participating in this year's survey represent a cross-section of firms in terms of geography and size. Of the firms surveyed: 140 firms had less than 100 employees and 136 had more than 5,000 employees. All of the firms in the survey together, employed more than 4.2 million persons, making this the largest survey of this kind.

Employee benefits issues are becoming the focal point of social legislation of the 90s. Mandated benefits are being used to transfer the burden of social legislation from the public sector, where funds are exhausted and tax increases will no longer be tolerated, to the private sector where the costs are not as apparent. In the past year, many bills were introduced in Congress that would require employers to provide health care, parental leave and other benefits at federally mandated levels. The information provided in this report should help employers to determine both the impact of such legislation on their firm and the cost of providing existing benefits to their employees.

While this data is useful for determining guidelines for general benefit levels, it is inappropriate to use it in assessing the generosity of any specific employee-benefit. This is an assessment that can only be made in the context of the entire package of benefits, in both absolute terms and in terms relative to entire compensation and workplace specific circumstances.

This is the 28th survey of employee benefits conducted by the U.S. Chamber of Commerce. Initially, *Employee Benefits* was published every two years; however, because of an increasing concern about the cost of benefits, the survey has been published annually since 1979.

The firms who participated in this year's survey conducted extensive research to furnish the information requested, frequently at considerable cost to them. We extend our thanks to all survey participants for their invaluable assistance.

This year's employee benefits study was conducted by Martin Lefkowitz with the assistance of Yolanda Parker. Ken Tuanmu and the systems development staff under the direction of Deepak Kapoor, and the computer staff under the direction of Sergio Gonzalez all contributed to our being able to bring out this year's report in a timely fashion.

Richard W. Rahn
Vice President and
Chief Economist,

U. S. Chamber of Commerce

The most significant result of this year's survey was the continued increase in medical and medically related costs, despite measures taken by many firms to control them. On a per employee basis, medically related benefits continued to increase considerably faster than payroll costs. The cost of medical and medically related benefits, which increased from 8.0 percent of payroll in 1987 to 8.7 percent of payroll in 1988, rose to 9.3 percent of payroll in 1989. Medically related costs, (medically related costs include health insurance, dental insurance, long-term and short-term disability insurance, retiree health insurance, vision care, cost of wellness programs and all other medically related benefits paid for by employers), increased more than 12 percent in 1989 following a 16 percent increase in 1988. The 1989 increase brings medically related costs to $2,853 per employee, a more than 30 percent increase from two years ago when these benefits cost employers $2,189 per year. The increased cost of the medical and dental insurance portion of health-related expenditures for current employees increased 14 percent in 1989, going from $2,052 per employee to $2,338 per employee. This year's increase in medical costs was surpassed only by the increase in 1988, bringing the two year increase in medical insurance costs for active employees to 35.5 percent. The 1989 increase of $286 for medical and dental insurance benefits was 10 percent more than the $260 spent by employers for health and life insurance twenty years earlier, in 1969.

This year, we are once again publishing data separately for hourly-paid and salaried employees (Tables 4a, 4b, and 4c). The data for the hourly-paid employees are based on a sub-sample of 232 firms that reported hourly-paid and salaried employees separately.

1. Employee benefit payments varied widely among the 957 participating companies. Approximately two percent of survey participants expended less than 18 percent of total payroll on benefits, while about two percent of survey participants spent 55 percent or more of payroll for benefits. The amount of benefits paid yearly per employee ranged from less than $3,500 to more than $13,000 (Table 1).

2. The mean average payment in 1988 was 37.6 percent of payroll, $5.559 per payroll hour, and $11,527 per year per employee (Table 2). The median average (the mid-point for the firms participating in the survey) was 35.8 percent.

3. Industry payments varied widely. The textile and apparel industries averaged 28.8 percent of payroll, while primary and fabricated metals, and the rubber industries paid more than 40 percent (Table 6).

4. Highest payments, as a percent of payroll, were made by firms headquartered in the East North Central states. The greater and rising benefit levels in the West are a product of the "new wave" firms in high-tech industries. (See Table 9 for states included in each region of the nation).

5. As in the past, larger firms generally paid more benefits than smaller firms. The differential in benefits between the largest and smallest firms amounts to a differential of about 10 percent, with the smallest paying about 34 percent of payroll and the largest firms averaging close to 38 percent of payroll. (Table 10).

6. Payments for pensions, savings and/or profit sharing plans were reported by 850 companies, or 88.8 percent of the firms participating in this year's survey compared to 85.5 percent in 1988 (Table 11). The percent paid into these plans increased slightly from 5.0 percent of payroll to 5.1 percent. There was a slight shift in contributions with a decrease in the amount going into defined benefit plans offset by increases in contributions to defined contribution plans, profit sharing and stock bonus plans. Many firms reported that they did not have to make payments into existing defined contribution plans, but only paid for administrative and other costs (Table 12).

7. Health and life insurance programs are almost universal. Ninety-nine percent of the firms participating in this year's survey indicated that they made at least some payment toward employee health insurance, while 92 percent provided at least some payment for life insurance coverage (Table 13).

8. Employee payroll deductions for benefits included 3.6 percent for pensions and savings plans, 0.8 percent for hospitalization and surgical insurance and 0.7 percent for life insurance and other benefits (Table 15).

An Additional Note

In 1986, we expanded our survey to better reflect total employer cost for all benefit payments made by employers. For example, data on health insurance for retirees and former workers and the cost of administering pension plans were surveyed starting in 1986. This resulted in a benefit level of approximately 1.0 percent higher. The cost of health insurance for former and retired employees has been deducted by some survey participants when calculating their benefits packages for comparison purposes.

Year	Average payment as a % of payroll	
1979	36.6	
1980	37.7	
1981	37.3	
1982	36.6	
1983	36.6	
1984	36.6	
1985	37.7	
1986	38.6	(Excluding retirees and former workers)
1986	39.3	(Including retirees and former workers)
1987	38.0	(Excluding retirees and former workers)
1987	39.0	(Including retirees and former workers)
1988	37.0	(Including retirees and former workers)
1988	36.2	(Excluding retirees and former workers)
1989	37.6	(Including retirees and former workers)
1989	36.7	(Excluding retirees and former workers)

Payments for employee benefits varied widely among the 957 participating companies. At one extreme were 19 firms (2.0 percent of the participants) paying less that 18 percent of payroll for benefits, at the other extreme were 21 firms (2.0 percent of the participants) paying 55 percent or more.

The distribution of benefit payments for the 957 firms is shown in Table 1.

The top ten percent of the firms paid more than 47.1 percent of payroll for benefits, while 25 percent of the firms paid more than 41.0 percent, as shown in Table 2. The median average benefit level was 35.8 percent with half the firms paying more than 35.8 percent and half the firms paying less than that amount. The median average in 1989 increased by 0.7 percent from 35.1 percent in 1988. The mean average payment for 1989 was 37.6 percent, which was a 0.6 percentage point increase from 37.0 percent of payroll in 1988. The mean was larger than the median, or middle point of the distribution of 35.8 percent, because larger firms with higher levels of benefits have a greater influence on the mean average since the survey is weighted by size of payroll.

Corresponding data as cents per payroll hour and as annual dollars per employee are also shown in Table 2. The data indicate an increase of 36.1 cents per hour in 1989 compared to 1988, an increase of 6.9 percent, significantly greater than the 5.2 percent increase in payroll costs for 1989.

The distribution of individual company payments by industry groups is shown in Table 3. Within individual industries, benefit payments also varied widely. Payments in the food, beverage, and tobacco industries varied from less than 20 percent of payroll to more than 50 percent of payroll. In fabricated metal products benefits varied from about 25 percent to more than 60 percent. Some of the variation in the percent of payroll for benefits is due to differences in pension and profit sharing payments, which can vary considerably between firms and within the same firm from year to year.

Table 1. Distribution of Employee Benefits, 1989

PERCENT OF PAYROLL		CENTS PER PAYROLL HOUR		DOLLARS PER YEAR PER EMPLOYEE	
Percent	Number of companies	Cents	Number of companies	Dollars	Number of companies
UNDER 18.0%	19	UNDER 150.0	13	UNDER $3,500	23
18.0—19.9	11	150.0—174.9	12	3,500—3,999	14
20.0—21.9	16	175.0—199.9	18	4,000—4,499	17
22.0—23.9	16	200.0—224.9	15	4,500—4,999	18
24.0—25.9	32	225.0—249.9	20	5,000—5,499	20
26.0—27.9	59	250.0—274.9	26	5,500—5,999	32
28.0—29.9	43	275.0—299.9	33	6,000—6,499	30
30.0—31.9	84	300.0—324.9	36	6,500—6,999	38
32.0—33.9	96	325.0—349.9	39	7,000—7,499	42
34.0—35.9	109	350.0—374.9	55	7,500—7,999	53
36.0—37.9	94	375.0—399.9	39	8,000—8,499	32
38.0—39.9	97	400.0—424.9	43	8,500—8,999	44
40.0—41.9	68	425.0—449.9	46	9,000—9,499	56
42.0—43.9	55	450.0—474.9	56	9,500—9,999	52
44.0—45.9	40	475.0—499.9	53	10,000—10,499	46
46.0—47.9	36	500.0—524.9	46	10,500—10,999	44
48.0—49.9	18	525.0—549.9	49	11,000—11,499	50
50.0—54.9	43	550.0—574.9	43	11,500—11,999	35
55.0—59.9	9	575.0—599.9	43	12,000—12,499	33
60.0—64.9	4	600.0—699.9	121	12,500—12,999	39
65.0 AND OVER	8	700.0 AND OVER	151	13,000 AND OVER	239
TOTAL	**957**	**TOTAL**	**957**	**TOTAL**	**957**

Table 2. Five Levels of Employee Benefits, 1989

Item	As percent of payroll	Cents per payroll hour	Dollars per year per employee
10% of firms paid more than	47.1%	761.6	$ 15,842
25% of firms paid more than	41.0	624.0	13,027
50% of firms paid more than	35.8	487.5	10,079
75% of firms paid more than	30.9	363.9	7,594
90% of firms paid more than	26.1	268.0	5,569
Mean or average payment	37.6%	555.9	$ 11,527

Table 3. Distribution of Employee Benefits as Percent of Payroll, By Industry Group, 1989

		Manufacturing Industries															Nonmanufacturing Industries							
Total employee benefits as percentage of payroll	Total, all industries	Total, all manufacturing	Food, beverage and tobacco	Textile products and apparel	Pulp, paper, lumber and furniture	Printing and publishing	Chemicals and allied products	Petroleum industry	Rubber, leather, and plastic products	Stone clay and glass products	Primary metal industries	Fabricated metal products (excluding machinery and transportation equipment)	Machinery (excluding electrical)	Electrical machinery, equipment and supplies	Transportation equipment	Instruments and miscellaneous manufacturing industries	Total, all nonmanufacturing	Public utilities (electric, gas, water, telephone, etc.)	Department stores	Trade (wholesale and other retail)	Banks, finance companies and trust companies	Insurance companies	Hospitals	Miscellaneous nonmanufacturing industries*
UNDER 18.0%	19	3	1	1	...	1	...	...	...	...	...	...	...	...	...	...	16	...	...	1	2	2	...	11
18.0 - 19.9	11	1	...	1	...	...	...	...	...	...	...	...	...	...	...	...	10	...	...	...	...	2	2	6
20.0 - 21.9	16	3	...	...	...	1	...	...	...	...	...	...	...	1	1	...	13	...	...	...	2	3	1	7
22.0 - 23.9	16	5	...	...	1	...	...	1	...	...	...	...	1	2	...	...	11	...	...	3	...	2	1	5
24.0 - 25.9	32	9	...	2	1	...	...	...	1	...	...	2	1	1	...	1	23	...	2	4	4	3	3	7
26.0 - 27.9	59	17	3	1	1	2	...	...	1	...	1	3	...	2	1	2	42	...	...	6	7	8	10	11
28.0 - 29.9	43	17	2	2	1	3	2	...	...	1	...	2	...	3	...	1	26	1	...	...	3	5	8	9
30.0 - 31.9	84	25	...	2	2	4	1	...	...	...	1	2	3	4	3	3	59	3	...	6	9	7	14	20
32.0 - 33.9	96	28	2	...	1	2	4	...	...	3	...	1	4	5	3	3	68	8	1	2	13	11	11	22
34.0 - 35.9	109	40	6	2	2	3	...	1	3	1	...	5	1	10	3	3	69	12	...	4	6	15	13	19
36.0 - 37.9	94	32	1	1	1	...	2	2	2	..	3	5	2	2	4	7	62	15	1	3	6	10	14	13
38.0 - 39.9	97	25	1	1	1	...	3	1	2	1	1	2	2	3	2	5	72	19	...	2	9	8	8	26
40.0 - 41.9	68	24	3	...	3	...	1	...	2	1	...	2	2	6	...	4	44	17	...	2	3	9	8	5
42.0 - 43.9	55	19	2	...	...	1	1	...	2	...	2	5	2	2	2	...	36	11	...	1	2	6	1	15
44.0 - 45.9	40	16	2	...	...	1	2	2	2	...	3	1	1	2	...	...	24	5	...	1	2	4	1	11
46.0 - 47.9	36	12	1	...	...	...	1	...	...	...	2	3	1	3	1	...	24	12	...	2	1	6	...	3
48.0 - 49.9	18	6	1	...	2	1	1	...	...	...	...	...	1	...	...	...	12	7	...	...	1	2	...	2
50.0 - 54.9	43	18	...	...	1	...	1	2	2	...	1	4	2	1	1	3	25	8	...	...	1	6	2	8
55.0 - 59.9	9	5	1	...	1	...	...	...	...	...	...	1	...	1	1	...	4	3	...	1	...	...	...	...
60.0 - 64.9	4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	4	2	...	...	...	1	...	1
65.0 & OVER	8	4	...	...	...	...	...	...	...	...	...	3	...	...	...	1	4	2	...	...	...	...	...	2
Total Companies	957	309	26	13	18	19	19	9	17	7	14	41	23	48	22	33	648	125	4	38	71	110	97	203
50% of companies paid more than	35.8	36.3	35.8	29.1	35.6	30.8	38.4	38.8	39.9	33.4	43.4	38.8	36.7	35.4	36.0	36.9	35.4	40.5	29.0	31.6	33.7	35.6	33.8	34.2

*Includes research, engineering, government agencies, construction, etc.
...No companies reporting

This year's benefit payments data include separate tables for salaried and hourly-paid employees. While benefits for hourly-paid employees as a percent of payroll are greater, the dollar cost of benefits given to salaried employees is greater. The data are derived from a smaller sample of firms that could separate benefit costs between hourly and salaried employees.

Employee benefits increased by 7.2 percent in 1989 in terms of dollars spent per employee per year. The increase in 1989 was more rapid than the 5.5 percent increase in payroll costs, thereby increasing the percentage of payroll going to benefits. The average cost per full-time equivalent employee increased from $10,750 per worker in 1988 to $11,527 per worker in 1989. Average benefits as a percent of payroll showed an increase from 37.0 to 37.6 percent of payroll, indicating that benefits are increasing, at a faster pace than pay.

The percent of payroll allocated to benefits for hourly-paid employees was 38.2 percent compared to 34.9 percent reported for salaried employees. The dollar value of benefits paid to salaried employees was $13,236, compared with $11,235 in benefits paid hourly workers. The composition of benefits was somewhat different between the two groups. Mandated benefits as a percent of payroll for hourly-paid workers are greater than that for salaried employees since payroll taxes, such as social security and unemployment taxes, are limited by income caps on the tax base.

The dollar cost of hospital, dental and other medical coverage per employee per year was about $353 more per year for salaried employees than for hourly paid workers. Salaried workers were more likely to have dental coverage than hourly-paid workers. Because of the pay differential, the cost of medical benefits as a percent of payroll was greater for hourly-paid workers (9.5 percent) compared to salaried employees (8.3 percent). Another significant difference in the benefit levels between salaried and hourly-paid employees was money contributed to 401K-type plans. Contributions for these plans were nearly twice as great as a percent of payroll for salaried employees as they were for hourly-paid workers. This differential in employer 401K contributions is because employer contributions are usually paid on a matching basis and higher paid salaried workers are more likely to participate in these programs.

Types of benefits	Benefit as a percent of payroll
Legally required payments	8.7
Retirement an savings	5.1
Life insurance and death benefits	0.5
Medical and medically related benefits	9.3
Paid rest periods, lunch periods, etc.	2.3
Payment for vacations, holidays, Sick leave etc.	10.8
Miscellaneous benefits	0.9
Total	37.6

Employee benefit payments as a percent of payroll averaged 37.6 percent for all companies surveyed. This included 0.9 percent for retiree health insurance, which is a part of medical and medically related benefits. Benefit costs in 1988 were 36.2 percent of payroll for active employees, compared to 36.7 percent in 1989.

Manufacturing firms reported benefits of 37.0 percent of payroll compared to 37.9 percent of payroll for nonmanufacturing firms. Manufacturing firms spent a greater percentage of payroll on health related benefits, while, contrary to last year, nonmanufacturing firms spent more on retirement plans. However, on the basis of actual dollars spent per employee on benefits, manufacturing firms spent $12,708 compared to nonmanufacturing firms that spent $11,003. The higher cost per employee in manufacturing firms even though they have a lower percentage of payroll is the result of higher average wages of manufacturing firms compared to those in nonmanufacturing.

The one benefit program that has skyrocketed in costs over the past year was the cost of health insurance and health related benefits. The cost of health related benefits increased by $315 per year, a 12.4 percent increase from the previous year. Health insurance costs are going up about three times as fast as pay.

Complete results of average benefit payments for different types of benefits are given in tables 4a, 4b, and 4c.

Table 4a. Employee Benefits, by Type of Benefit: All Employees, 1989

Type of benefit	Total, all companies	Total, all manufacturing	Total, all non-manufacturing
Total employee benefits as percent of payroll	37.6	37.0	37.9
1. Legally required payments (employers' share only)	8.7	8.7	8.7
a. Old-Age, Survivors, Disability, and Health Insurance (employer FICA taxes) and Railroad Retirement Tax	6.9	6.8	7.0
b. Unemployment compensation	0.7	0.7	0.6
c. Worker's compensation	1.1	1.2	1.0
d. State sickness benefit insurance	0.0	0.0	0.0
2. Retirement and saving (employers' share only)	5.1	4.1	5.6
a. Defined benefit pension plan contributions	1.9	0.8	2.5
b. Defined contribution plan payments	1.0	1.1	1.0
c. Profit sharing	0.8	1.0	0.7
d. Stock bonus and employee stock ownership plans (ESOP)	0.3	0.4	0.2
e. Pension plan premiums (net) under insurance and annuity contracts (insured and trusted)	0.5	0.1	0.7
f. Administrative and other costs	0.6	0.7	0.5
3. Life insurance and death benefits (employers' share only)	0.5	0.6	0.5
4. Medical & medically-related benefit payments (employers' share only)	9.3	9.7	9.1
a. Hospital, surgical, medical, and major medical insurance premiums (net)	7.0	7.3	6.9
b. Retiree (payments for retired employees) hospital, surgical, medical, and major medical insurance premiums (net)	0.9	1.0	0.8
c. Short term disability, sickness or accident insurance (company plan or insured plan)	0.3	0.3	0.3
d. Long-term disability or wage continuation (insured, self-administered, or trust)	0.2	0.1	0.2
e. Dental insurance premiums	0.6	0.7	0.6
f. Other (vision care, physical and mental fitness, benefits for former employees)	0.3	0.3	0.4
5. Paid rest periods, coffee breaks, lunch periods, wash-up time, travel time, clothes-change time, get ready time, etc.	2.3	2.0	2.4
6. Payments for time not worked	10.8	10.9	10.7
a. Payment for or in lieu of vacations	5.6	5.6	5.6
b. Payment for or in lieu of holidays	3.4	3.6	3.4
c. Sick leave pay	1.3	1.2	1.4
d. Parental leave (maternity and paternity leave payments)	0.0	0.0	0.0
e. Other	0.4	0.5	0.3
7 Miscellaneous benefit payments	0.9	1.1	0.9
a. Discounts on goods and services purchased from company by employees	0.2	0.1	0.3
b. Employee meals furnished by company	0.1	0.1	0.1
c. Employee education expenditures	0.2	0.2	0.2
d. Child care	0.0	0.0	0.0
e. Other	0.5	0.7	0.3
Total employee benefits as cents per hour	555.9	535.8	555.9
Total employee benefits as dollars per year per employee	$11,527	$12,707	$11,003

... Less than 0.05 percent

Table 4b. Employee Benefits, by Type of Benefit: Salaried Employees, 1989

Type of benefit	Total, all companies	Total, all manufacturing	Total, all non-manufacturing
Total employee benefits as percent of payroll	34.9	34.4	35.9
1. Legally required payments (employers' share only)	7.6	7.5	7.9
a. Old-Age, Survivors, Disability, and Health Insurance (employer FICA taxes) and Railroad Retirement Tax	6.6	6.5	6.9
b. Unemployment compensation	0.5	0.5	0.4
c. Worker's compensation	0.5	0.4	0.6
d. State sickness benefit insurance	0.0	0.0	0.0
2. Retirement and saving (employers' share only)	5.2	4.2	6.9
a. Defined benefit pension plan contributions	1.2	0.6	2.3
b. Defined contribution plan payments	1.6	1.4	1.9
c. Profit sharing	0.6	0.6	0.6
d. Stock bonus and employee stock ownership plans (ESOP)	0.1	0.1	0.1
e. Pension plan premiums (net) under insurance and annuity contracts (insured and trusted)	0.1	0.1	0.1
f. Administrative and other costs	1.5	1.4	1.8
3. Life insurance and death benefits (employers' share only)	0.7	0.8	0.6
4. Medical & medically-related benefit payments (employers' share only)	8.3	8.9	7.4
a. Hospital, surgical, medical, and major medical insurance premiums (net)	6.4	6.9	5.5
b. Retiree (payments for retired employees) hospital, surgical, medical, and major medical insurance premiums (net)	0.8	0.8	0.7
c. Short term disability, sickness or accident insurance (company plan or insured plan)	0.2	0.1	0.3
d. Long-term disability or wage continuation (insured, self-administered, or trust)	0.1	0.1	0.2
e. Dental insurance premiums	0.7	0.8	0.5
f. Other (vision care, physical and mental fitness, benefits for former employees)	0.2	0.2	0.2
5. Paid rest periods, coffee breaks, lunch periods, wash-up time, travel time, clothes-change time, get ready time, etc.	0.0	0.0	0.0
6. Payments for time not worked	11.8	11.7	12.1
a. Payment for or in lieu of vacations	6.0	5.9	6.2
b. Payment for or in lieu of holidays	3.8	3.8	3.8
c. Sick leave pay	1.5	1.4	1.6
d. Parental leave (maternity and paternity leave payments)	0.0	0.0	0.0
e. Other	0.5	0.5	0.5
7 Miscellaneous benefit payments	1.2	1.4	1.0
a. Discounts on goods and services purchased from company by employees	0.1	0.0	0.1
b. Employee meals furnished by company	0.1	0.0	0.1
c. Employee education expenditures	0.2	0.2	0.2
d. Child care	0.0	0.0	0.0
e. Other	0.9	1.1	0.6
Total employee benefits as cents per hour	629.6	663.8	581.4
Total employee benefits as dollars per year per employee	$13,236	$14,309	$11,813

... Less than 0.05 percent

Table 4c. Employee Benefits, by Type of Benefit: Hourly Employees, 1989

Type of benefit	Total, all companies	Total, all manufacturing	Total, all non-manufacturing
Total employee benefits as percent of payroll	38.2	38.3	38.2
1. Legally required payments (employers' share only)	8.9	9.3	8.8
a. Old-Age, Survivors, Disability, and Health Insurance (employer FICA taxes) and Railroad Retirement Tax	7.0	7.0	7.0
b. Unemployment compensation	0.7	0.7	0.7
c. Worker's compensation	1.2	1.6	1.1
d. State sickness benefit insurance	0.0	0.0	0.0
2. Retirement and saving (employers' share only)	5.1	4.0	5.5
a. Defined benefit pension plan contributions	2.1	0.9	2.5
b. Defined contribution plan payments	0.9	0.9	0.9
c. Profit sharing	0.8	1.2	0.7
d. Stock bonus and employee stock ownership plans (ESOP)	0.3	0.6	0.2
e. Pension plan premiums (net) under insurance and annuity contracts (insured and trusted)	0.5	0.0	0.7
f. Administrative and other costs	0.4	0.4	0.4
3. Life insurance and death benefits (employers' share only)	0.5	0.5	0.5
4. Medical & medically-related benefit payments (employers' share only)	9.5	10.0	9.3
a. Hospital, surgical, medical, and major medical insurance premiums (net)	7.2	7.4	7.0
b. Retiree (payments for retired employees) hospital, surgical, medical, and major medical insurance premiums (net)	0.9	1.1	0.8
c. Short term disability, sickness or accident insurance (company plan or insured plan)	0.3	0.3	0.3
d. Long-term disability or wage continuation (insured, self-administered, or trust)	0.2	0.2	0.2
e. Dental insurance premiums	0.6	0.6	0.6
f. Other (vision care, physical and mental fitness, benefits for former employees)	0.4	0.3	0.4
5. Paid rest periods, coffee breaks, lunch periods, wash-up time, travel time, clothes-change time, get ready time, etc.	2.8	3.0	2.7
6. Payments for time not worked	10.6	10.5	10.6
a. Payment for or in lieu of vacations	5.6	5.5	5.6
b. Payment for or in lieu of holidays	3.4	3.5	3.3
c. Sick leave pay	1.3	1.1	1.3
d. Parental leave (maternity and paternity leave payments)	0.0	0.0	0.0
e. Other	0.4	0.5	0.3
7 Miscellaneous benefit payments	0.9	0.9	0.9
a. Discounts on goods and services purchased from company by employees	0.2	0.1	0.3
b. Employee meals furnished by company	0.1	0.1	0.1
c. Employee education expenditures	0.2	0.2	0.2
d. Child care	0.0	0.0	0.0
e. Other	0.4	0.5	0.3
Total employee benefits as cents per hour	543.1	575.6	531.3
Total employee benefits as dollars per year per employee	$11,235	$12,112	$10,923

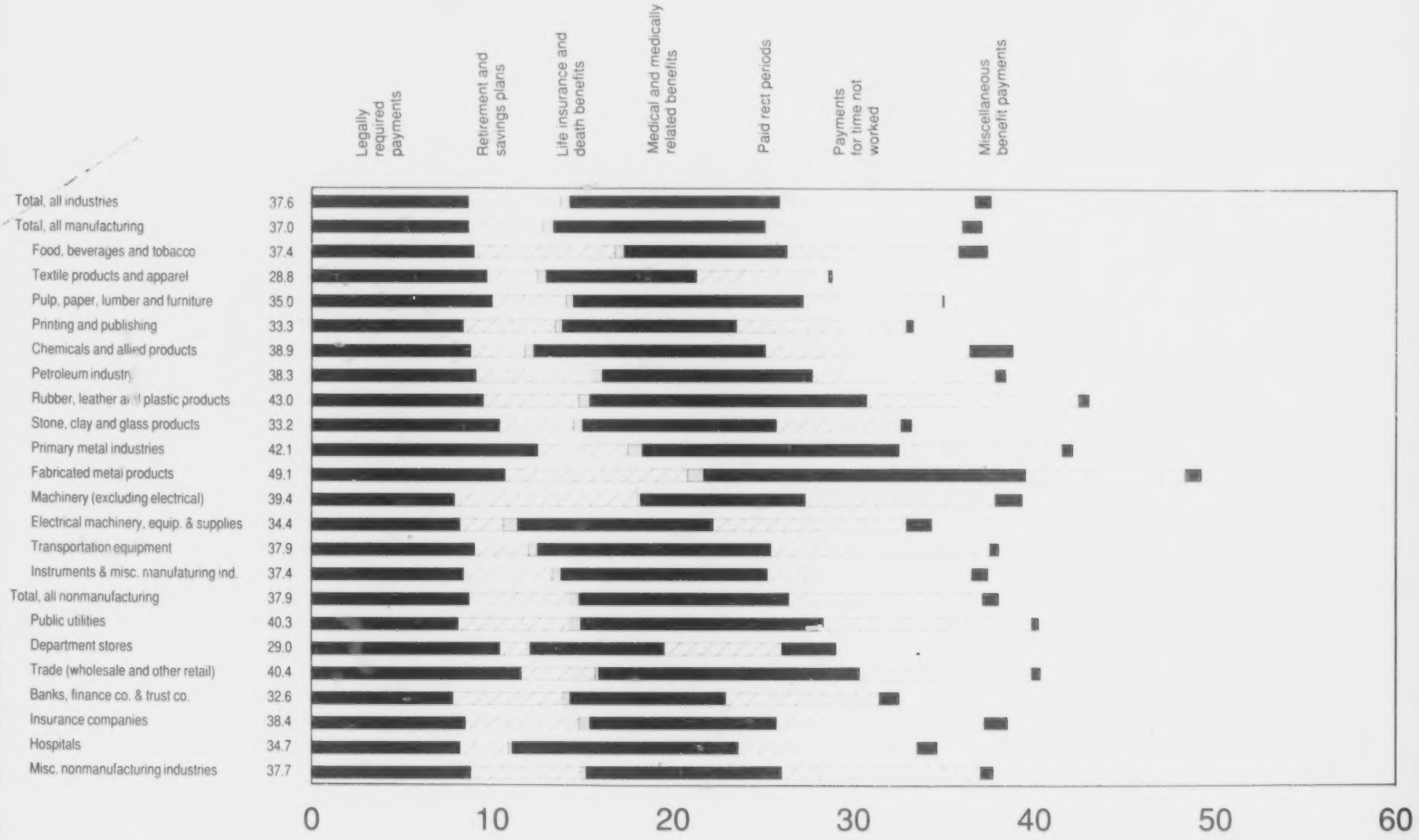
... Less than 0.05 percent

Table 5. Major Types of Employee Benefits, by Industry Groups, 1989

Industry group	Employee benefits as percent of payroll								Total employee benefits as cents per payroll hour	Total employee benefits as dollars per payroll year	Number of companies
	Total, all employee benefits	Legally required payments (employers' share only)	Retirement and savings plan payments (employers' share only)	Life insurance and death benefits payments (employers' share only)	Medical and medically-related benefits payments (employers' share only)	Paid rest periods	Payments for time not worked	Miscellaneous benefits			
Total, all industries	37.6	8.7	5.1	0.5	9.3	2.3	10.8	0.9	555.9	11,527	957
Total, all manufacturing	37.0	8.7	4.1	0.6	9.7	2.0	10.9	1.1	599.9	12,707	309
Manufacture of:											
Food, beverages and tobacco	37.4	9.0	7.8	0.5	7.4	1.6	9.5	1.6	554.3	11,173	26
Textile products and apparel	28.8	9.7	2.8	0.5	7.5	0.8	7.3	0.2	302.2	5,996	13
Pulp, paper, lumber and furniture	35.0	10.0	4.1	0.4	8.4	4.3	7.7	0.1	498.7	10,361	18
Printing and publishing	33.3	8.4	5.1	0.4	6.4	3.2	9.4	0.4	495.1	9,693	19
Chemicals and allied products	38.9	8.8	3.0	0.5	10.7	2.1	11.3	2.4	738.5	14,653	19
Petroleum industry	38.3	9.1	6.4	0.6	8.8	2.8	10.1	0.6	722.2	15,027	9
Rubber, leather and plastic products	43.0	9.5	5.3	0.6	13.9	1.4	11.7	0.6	636.1	13,376	17
Stone, clay and glass products	33.2	10.4	4.1	0.5	7.7	3.0	6.9	0.6	416.7	9,405	7
Primary metal industries	42.1	12.5	5.0	0.8	11.5	2.7	9.0	0.6	646.1	13,704	14
Fabricated metal products (excluding machinery and transportation equipment)	49.1	10.7	10.1	0.9	14.6	3.2	8.8	0.9	697.4	14,990	41
Machinery (excluding electrical)	39.4	7.9	10.1	0.2	6.0	3.1	10.5	1.5	585.3	12,288	23
Electrical machinery and supplies	34.4	8.2	2.4	0.8	9.3	1.5	10.7	1.4	553.4	11,988	48
Transportation equipment	37.9	9.0	3.0	0.5	11.1	1.8	12.1	0.5	657.8	14,264	22
Instruments and miscellaneous manufacturing industries	37.4	8.4	4.9	0.5	8.9	2.5	11.3	0.9	626.1	13,190	33
Total, all nonmanufacturing	37.9	8.7	5.6	0.5	9.1	2.4	10.7	0.9	535.8	11,003	648
Public utilities (electric, gas, water, telephone, etc.)	40.3	8.1	6.2	0.6	11.9	1.5	11.5	0.4	731.1	15,174	125
Department stores	29.0	10.4	1.5	0.2	4.5	2.9	6.5	3.0	241.5	5,023	4
Trade (wholesale and other retail)	40.4	11.6	4.1	0.2	9.2	5.2	9.5	0.5	338.0	6,981	38
Banks, finance companies and trust companies	32.6	7.8	6.1	0.4	6.1	2.5	8.5	1.1	434.8	8,881	71
Insurance companies	38.4	8.5	6.3	0.6	8.3	2.0	11.5	1.3	555.4	11,019	110
Hospitals	34.7	8.2	2.7	0.2	7.9	4.6	9.9	1.1	424.9	8,774	97
Misc. nonmanufacturing industries*	37.7	8.8	6.1	0.3	7.7	3.1	11.0	0.7	540.7	11,151	203

*Includes research, engineering, education, government agencies, construction, etc.

Chart 1. Employee Benefits as Percent of Payroll, by Industry Groups 957 Companies, 1989



*Includes research, engineering, education, government agencies, construction, etc.

Employee benefits vary significantly among the industries surveyed. In the past, manufacturing firms generally paid a greater percentage of payroll and dollar value of benefits than did nonmanufacturing firms. This is no longer true. Although manufacturing firms paid more in benefits in terms of actual dollars, benefits as a percent of payroll are lower for manufacturing firms than those of nonmanufacturing firms. In addition from 1988 to 1989, benefit costs in nonmanufacturing increased 7.8 percent, more than twice the 3.0 percent increase reported in the manufacturing sector. The shift between benefit levels in manufacturing and nonmanufacturing businesses is a result of pressure on service sector firms to increase benefits in order to attract qualified employees.

Health insurance costs for nonmanufacturing firms appear to be going up significantly faster than in manufacturing. This may be the result of more rapidly rising health insurance costs for smaller firms than for larger firms which are generally self insured. Increased pressure on service sector firms to provide health insurance coverage for their employees, a benefit not previously offered by some service sector firms, might also be causing health costs to rise for nonmanufacturing firms.

Manufacturing firms paid an average of 37.0 percent of payroll, or $12,707 per employee per year in benefits, adding nearly 599.9 cents per hour to the cost of an employee. Nonmanufacturing firms paid $11,003 per employee per year in benefits, 37.9 percent of payroll, and 535.8 cents per hour.

Firms that are in more competitive industries, such as retailers and low-pay manufacturers, generally have a lower level of benefits than firms in concentrated industries that have fewer firms.

Higher-pay industries tend to pay more in benefits than lower-pay industries. The reasons for this are twofold. Employee benefits, except for vacations, holidays and other leave, are not taxable and thus higher-pay workers would prefer benefits to the taxable income. On the other hand, lower-paid employees need a greater share of their income more immediately and therefore cannot afford to defer their incomes to long-term pay-off plans such as pensions.

More detailed data regarding the cost of benefits by industry as a percent of payroll, cents per payroll hour, and annual dollars per employee are shown in Tables 6, 7 and 8.

Table 6. Employee Benefits as Percent of Payroll, by Type of Benefit and Industry Groups, 1989

Type of benefit	Total, all industries	Manufacturing industries															Nonmanufacturing industries							
		Total, all manufacturing	Food, beverage and tobacco	Textile products and apparel	Pulp, paper, lumber and furniture	Printing and publishing	Chemicals and allied products	Petroleum industry	Rubber, leather and plastic products	Stone, clay and glass products	Primary metal industries	Fabricated metal products (excluding machinery and transportation equipment)	Machinery (excluding electrical)	Electrical machinery, equipment and supplies	Transportation equipment	Instruments and miscellaneous manufacturing industries	Total, all nonmanufacturing	Public utilities (electric, gas, water, telephone, etc.)	Department stores	Trade (wholesale and other retail)	Banks, finance companies and trust companies	Insurance companies	Hospitals	Miscellaneous nonmanufacturing industries*
Total employee benefits as percent of payroll	37.6	37.0	37.4	28.8	35.0	33.3	38.9	38.3	43.0	33.2	42.1	49.1	39.4	34.4	37.9	37.4	37.9	40.3	29.0	40.4	32.6	38.4	34.7	37.7
1. Legally required payments (employers' share only)	8.7	8.7	9.0	9.7	10.0	8.4	8.8	9.1	9.5	10.4	12.5	10.7	7.9	8.2	9.0	9.4	8.7	8.1	10.4	11.6	7.8	8.5	8.2	8.8
a. Old-age, Survivor, Disability, and Health, Insurance (employer FICA taxes) and Railroad Retirement Tax	6.9	6.8	6.7	7.0	6.8	6.2	7.1	7.2	7.2	7.2	7.4	7.3	6.6	6.7	7.0	6.7	7.0	6.9	7.3	7.3	6.8	7.5	7.1	6.6
b. Unemployment compensation	0.7	0.7	0.8	1.8	1.3	1.0	0.7	0.8	0.5	0.6	1.7	1.4	0.5	0.7	0.5	0.6	0.6	0.6	1.3	1.1	0.7	0.6	0.2	0.5
c. Worker's compensation (including estimated cost of self-insured)	1.1	1.2	1.5	0.9	1.9	1.2	0.9	1.2	1.8	2.6	3.4	1.9	0.7	0.8	1.6	0.9	1.0	0.7	1.7	3.1	0.3	0.4	0.9	1.6
d. State sickness benefits insurance and other	...	...	...	...	...	...	0.1	...	...	...	0.1	0.1	...	...	...	0.1	...	...	0.1	0.1	...	...	...	0.1
2. Retirement and savings plan payments (employers' share only)	5.1	4.1	7.8	2.8	4.1	5.1	3.0	6.4	5.3	4.1	5.0	10.1	10.1	2.4	3.0	4.9	5.6	6.2	1.5	4.1	6.1	6.3	2.7	6.1
a. Defined benefit pension plan contributions	1.9	0.8	1.7	1.2	1.4	0.8	0.7	0.2	3.8	0.6	1.8	7.2	0.3	0.3	0.4	1.2	2.5	3.6	0.2	1.4	1.2	2.2	1.5	2.3
b. Defined contribution plan payments (401K type)	1.0	1.1	0.4	...	1.8	1.0	0.9	1.7	0.8	1.5	1.0	0.3	1.1	0.3	2.1	1.2	1.0	1.1	0.4	0.1	2.5	1.1	0.5	1.0
c. Profit sharing	0.8	1.0	5.0	0.9	0.2	0.1	0.5	0.4	0.5	1.6	1.1	1.0	6.9	0.1	0.1	1.3	0.7	0.9	...	1.2	1.3	0.8	0.3	0.2
d. Stock bonus and employee stock ownership plans (ESOP)	0.3	0.4	...	0.4	...	3.2	0.8	2.6	...	...	0.6	1.0	1.8	...	...	0.8	0.2	0.1	0.8	...	0.3	0.2	0.1	0.3
e. Pension plan premiums (net) under insurance and annuity contracts (insured and trusted)	0.5	0.1	0.1	0.2	...	...	...	...	...	...	0.1	0.3	...	...	0.1	...	0.7	...	...	1.3	0.3	1.4	...	1.4
f. Administrative and other cost	0.6	0.7	0.6	0.1	0.7	0.1	0.1	1.5	0.2	0.4	0.5	0.3	0.1	1.6	0.2	0.4	0.5	0.5	0.1	0.1	0.4	0.7	0.3	0.8
3. Life insurance and death benefit payments (employers' share only)	0.5	0.6	0.5	0.5	0.4	0.4	0.5	0.6	0.6	0.5	0.8	0.9	0.2	0.8	0.5	0.5	0.5	0.6	0.2	0.2	0.4	0.6	0.2	0.3
4. Medical and medically related benefit payments (employers' share only)	9.3	9.7	7.4	7.5	8.4	6.4	10.7	8.8	13.9	7.7	11.5	14.6	6.0	9.3	11.1	8.9	9.1	11.9	4.5	9.2	6.1	8.3	7.9	7.7
a. Hospital, surgical, medical, and major medical insurance premiums (net)	7.0	7.3	5.8	7.0	6.3	5.2	7.3	6.5	7.1	6.3	8.7	7.8	4.7	7.6	8.1	7.5	6.9	8.6	3.4	8.1	5.0	6.3	6.9	5.9
b. Retiree (payments for retired employees) hospital, surgical medical, and major medical insurance premiums (net)	0.9	1.0	0.3	...	0.9	0.3	2.1	0.9	1.9	0.3	1.9	4.0	0.2	0.8	1.3	0.4	0.8	1.2	0.3	0.4	0.3	0.7	...	0.6
c. Short-term disability, sickness or accident insurance (company plan or insured plan)	0.3	0.3	0.4	0.2	0.4	0.3	0.1	0.9	0.7	0.1	0.3	0.6	0.2	0.3	0.1	0.2	0.3	0.6	0.1	0.2	0.2	0.2	0.1	0.2
d. Long-term disability or wage continuation (insured, self-administered, or trusts)	0.2	0.1	0.3	...	0.1	0.2	0.1	0.1	0.6	0.2	0.1	0.3	0.1	...	0.1	0.2	0.2	0.2	...	0.1	0.2	0.4	0.2	0.2
e. Dental insurance program	0.6	0.7	0.5	0.3	0.7	0.2	0.7	0.3	0.8	0.5	0.4	0.5	0.5	0.5	1.1	0.5	0.6	0.8	0.3	0.2	0.3	0.6	0.4	0.4
f. Other (vision care, physical and mental fitness benefits for former employees)	0.3	0.3	0.1	...	...	...	0.4	0.1	2.8	0.3	0.1	1.5	0.4	...	0.3	0.1	0.4	0.6	0.3	0.3	0.1	0.2	0.2	0.4
5. Paid rest periods, coffee breaks, lunch periods, wash-up time, travel time, clothes change time, get ready time, etc.	2.3	2.0	1.6	0.8	4.3	3.2	2.1	2.8	1.4	3.0	2.7	3.2	3.1	1.5	1.8	2.5	2.4	1.5	2.9	5.2	2.5	2.0	4.6	3.1
6. Payments for time not worked	10.8	10.9	9.5	7.3	7.7	9.4	11.3	10.1	11.7	6.9	9.0	8.8	10.5	10.7	12.1	11.3	10.7	11.5	6.5	9.5	8.5	11.5	9.9	11.0
a. Payments for or in lieu of vacations	5.6	5.6	5.5	4.1	4.3	5.3	5.6	6.1	7.7	3.6	5.2	5.2	5.7	5.8	5.4	5.5	5.6	6.3	4.2	5.4	4.2	5.7	4.9	5.6
b. Payments for or in lieu of holidays	3.4	3.6	3.3	2.5	2.8	2.6	3.6	3.4	3.5	2.6	3.1	2.8	3.4	3.3	4.2	3.9	3.4	3.6	1.2	2.5	3.0	3.9	2.3	3.7
c. Sick leave pay	1.3	1.2	0.3	0.4	0.4	0.9	0.5	0.4	0.2	0.7	0.3	0.6	1.3	1.1	1.9	1.5	1.4	1.2	1.1	1.3	1.0	1.5	1.6	1.7
d. Parental leave (maternity and paternity leave payments)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
e. Other	0.4	0.5	0.4	0.4	0.1	0.7	1.6	0.2	0.3	...	0.4	0.3	0.1	0.5	0.5	0.5	0.3	0.4	...	0.3	0.3	0.4	1.1	0.1
7. Miscellaneous benefit payments	0.9	1.1	1.6	0.2	0.1	0.4	2.4	0.6	0.6	0.6	0.6	0.9	1.5	1.4	0.5	0.9	0.9	0.4	3.0	0.5	1.1	1.3	1.1	0.7
a. Discounts on goods and services purchased from company by employees	0.2	0.1	0.2	...	...	...	0.1	...	0.2	...	...	...	...	0.1	...	...	0.3	0.1	2.9	0.1	0.1	0.1	0.1	...
b. Employee meals furnished by company	0.1	0.1	0.1	...	...	...	0.4	...	...	...	0.2	0.1	0.4	...	...	0.1	0.1	0.1	...	...	0.1	0.3	0.1	...
c. Employee education expenditures	0.2	0.2	0.1	...	0.1	0.1	0.3	0.3	0.1	0.1	0.1	0.1	0.3	0.2	0.3	0.5	0.2	0.1	...	...	0.3	0.5	0.3	0.1
d. Child care	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	0.1	...	...	...
e. Other	0.5	0.7	1.1	0.1	0.1	0.3	1.7	0.2	0.4	0.5	0.3	0.7	0.8	1.1	0.2	0.3	0.3	0.2	0.1	0.3	0.5	0.4	0.4	0.5

* Includes research, engineering, education, government agencies, construction, etc.

... Less than 0.05 percent

Table 7. Employee Benefits as Cents per Payroll Hour, by Type of Benefit and Industry Groups, 1989

Type of benefit	Total, all industries	Manufacturing industries															Nonmanufacturing industries							
		Total, all manufacturing	Food, beverage and tobacco	Textile products and apparel	Pulp, paper, lumber and furniture	Printing and publishing	Chemicals and allied products	Petroleum industry	Rubber, leather and plastic products	Stone, clay and glass products	Primary metal industries	Fabricated metal products (excluding machinery and transportation equipment)	Machinery (excluding electrical)	Electrical machinery, equipment and supplies	Transportation equipment	Instruments and miscellaneous manufacturing industries	Total, all nonmanufacturing	Public utilities (electric, gas, water, telephone, etc.)	Department stores	Trade (wholesale and other retail)	Banks, finance companies and trust companies	Insurance companies	Hospitals	Miscellaneous nonmanufacturing industries[1]
Total employee benefits as percent of payroll	555.9	599.9	554.3	302.2	498.7	495.1	738.5	722.2	636.1	416.7	646.1	697.4	585.3	553.4	657.8	626.1	535.8	731.1	241.5	338.0	434.8	555.4	424.9	540.7
1. Legally required payments (employers' share only)	128.4	141.4	133.4	101.5	142.3	124.7	167.7	172.1	140.7	130.6	192.5	151.3	116.8	131.4	156.5	140.4	122.4	147.5	86.9	97.1	103.5	122.8	101.0	126.1
a. Old-age, Survivor, Disability, and Health, Insurance (employer FICA taxes) and Railroad Retirement Tax	102.2	110.5	99.8	73.5	97.3	92.1	135.4	134.8	106.2	89.8	113.7	103.7	97.9	107.3	120.6	112.1	98.3	125.0	61.0	60.8	89.9	108.1	87.6	94.2
b. Unemployment compensation	9.6	11.0	12.0	18.6	18.1	14.8	12.6	14.3	8.1	7.7	25.6	19.3	7.8	11.0	8.3	10.9	9.0	10.3	11.1	8.9	9.1	8.9	2.1	7.8
c. Worker's compensation (including estimated cost of self-insured)	16.0	19.4	21.6	9.4	26.7	17.8	17.2	22.7	26.2	33.1	51.7	26.6	10.6	13.0	27.3	15.8	14.4	12.0	14.1	26.3	3.9	5.4	11.1	22.9
d. State sickness benefits insurance and other	0.6	0.5	...	...	0.3	...	2.6	0.2	0.2	...	1.4	1.7	0.5	0.2	0.3	1.6	0.6	0.2	0.7	1.1	0.6	0.4	0.2	1.2
2. Retirement and savings plan payments (employers' share only)	75.3	66.1	115.4	29.0	58.5	76.2	56.9	121.0	78.6	51.0	77.1	144.0	149.9	39.2	51.6	82.2	79.5	112.8	12.7	34.5	81.4	90.4	33.0	87.0
a. Defined benefit pension plan contributions	28.3	13.0	24.6	13.0	20.0	12.3	13.8	3.6	56.4	7.2	28.3	101.7	4.6	5.6	7.1	20.6	35.3	65.7	1.5	12.0	16.5	31.2	18.4	33.3
b. Defined contribution plan payments (401K type)	15.3	17.3	6.2	0.2	25.6	14.3	16.4	32.0	11.5	19.0	14.9	4.2	15.8	5.1	36.3	19.9	14.3	19.5	3.3	0.7	33.0	15.4	6.1	14.1
c. Profit sharing	11.7	16.2	74.7	9.1	3.2	0.9	9.0	6.9	7.3	20.3	17.1	14.5	102.5	1.6	1.1	21.7	9.6	16.7	...	10.3	17.9	10.9	3.3	3.3
d. Stock bonus and employee stock ownership plans (ESOP)	4.3	7.2	0.1	3.7	0.1	47.7	14.7	49.4	...	...	8.6	14.5	26.2	0.4	0.6	13.8	3.1	1.4	6.7	0.3	4.6	3.3	1.0	4.1
e. Pension plan premiums (net) under insurance and annuity contracts (insured and trusted)	6.9	0.9	0.9	2.4	...	0.2	0.1	...	...	...	1.2	4.7	...	0.1	2.5	...	9.6	0.8	...	10.6	3.5	19.7	...	20.4
f. Administrative and other cost	8.9	11.5	8.9	0.6	9.7	0.8	2.8	29.1	3.4	4.5	6.9	4.4	0.9	26.4	4.0	6.1	7.7	8.5	1.1	0.7	5.9	9.8	4.2	11.9
3. Life insurance and death benefit payments (employers' share only)	7.6	9.7	7.5	5.1	6.1	6.1	9.1	11.8	8.2	6.2	12.3	12.2	3.0	13.6	8.9	7.6	6.7	11.4	1.5	2.1	6.0	8.1	2.7	4.9
4. Medical and medically related benefit payments (employers' share only)	137.6	156.5	110.2	79.1	119.7	94.6	203.6	165.4	205.4	96.5	176.3	207.7	89.8	149.3	192.0	149.3	129.0	215.9	37.3	77.2	81.8	120.0	97.2	109.8
a. Hospital, surgical, medical, and major medical insurance premiums (net)	103.7	117.8	85.8	73.1	89.5	77.7	138.7	122.7	104.4	79.0	133.2	110.6	70.5	121.9	141.3	125.1	97.2	155.2	28.3	67.6	67.0	91.3	84.9	84.7
b. Retiree (payments for retired employees) hospital, surgical medical, and major medical insurance premiums (net)	12.7	16.6	4.3	...	13.4	5.0	39.8	17.9	27.6	3.6	28.7	56.9	3.5	12.6	21.9	7.4	11.0	22.2	2.9	3.1	4.0	10.4	0.4	8.1
c. Short-term disability, sickness or accident insurance (company plan or insured plan)	4.5	4.4	6.4	2.2	6.0	4.9	2.3	17.2	11.1	1.1	5.1	7.9	2.9	5.4	2.0	2.5	4.5	10.2	1.1	1.3	2.7	2.7	1.5	2.8
d. Long-term disability or wage continuation (insured, self-administered, or trusts)	2.6	2.1	4.6	0.1	1.4	3.6	2.3	1.0	9.4	2.4	2.0	3.6	1.1	0.3	2.5	4.0	2.9	3.3	...	1.1	2.3	5.4	2.6	2.8
e. Dental insurance program	9.0	11.2	7.8	3.5	9.3	3.3	12.5	5.2	12.1	6.5	6.2	7.6	6.8	8.8	19.0	9.0	8.1	14.8	2.8	1.7	4.3	8.0	5.3	6.1
f. Other (vision care, physical and mental fitness benefits for former employees)	5.0	4.5	1.2	0.1	0.1	0.1	8.1	1.3	40.8	3.9	1.2	21.1	5.6	0.2	5.2	1.3	5.3	10.2	2.3	2.4	1.5	2.2	2.6	5.3
5. Paid rest periods, coffee breaks, lunch periods, wash-up time, travel time, clothes change time, get ready time, etc.	33.8	32.3	23.6	8.6	60.7	48.3	40.4	51.9	21.2	37.8	41.4	45.0	46.8	24.3	31.3	41.5	34.5	27.3	24.0	43.7	33.3	29.5	56.2	44.8
6. Payments for time not worked	159.3	176.7	141.2	77.0	109.3	139.6	214.7	189.6	172.5	86.9	137.5	125.0	156.1	173.0	209.7	189.4	151.4	208.5	54.2	79.5	113.7	166.3	121.9	158.1
a. Payments for or in lieu of vacations	83.4	91.3	81.0	43.2	61.9	78.5	106.7	115.5	113.7	44.9	80.2	73.2	84.8	94.1	94.5	91.6	79.7	113.7	34.8	45.0	56.2	82.0	60.6	79.9
b. Payments for or in lieu of holidays	50.8	57.8	49.7	26.3	39.6	38.4	67.9	63.6	51.4	32.5	46.9	40.1	51.1	53.5	72.6	65.4	47.6	65.4	10.0	21.2	40.1	56.2	28.1	52.4
c. Sick leave pay	19.2	19.0	5.1	3.7	5.9	12.8	9.3	7.4	2.3	9.0	4.9	7.8	19.4	17.0	33.8	24.7	19.3	21.3	9.4	10.7	13.2	22.0	19.6	24.0
d. Parental leave (maternity and paternity leave payments)	0.1	...	...	...	...	...	...	...	...	...	...	...	...	...	...	0.1	0.1	0.1	...	...	0.2	...	0.3	...
e. Other	5.9	8.6	5.4	3.7	1.9	9.8	30.7	3.1	5.0	0.5	5.4	3.9	0.8	8.5	8.9	7.6	4.7	7.9	...	2.5	4.0	6.0	13.3	1.7
7. Miscellaneous benefit payments	13.9	17.2	23.0	2.0	2.1	5.5	46.0	10.5	9.6	7.7	9.1	12.1	22.8	22.6	7.9	15.7	12.4	7.7	25.0	4.0	15.1	18.3	13.0	10.0
a. Discounts on goods and services purchased from company by employees	2.8	0.9	3.0	0.1	...	0.2	1.5	0.1	2.3	...	0.1	0.1	...	1.5	0.1	0.8	3.6	1.2	24.3	0.7	1.0	1.2	1.7	0.5
b. Employee meals furnished by company	1.2	1.3	2.0	...	0.1	...	7.6	0.7	...	...	2.3	1.2	6.0	0.2	...	1.7	1.2	1.0	...	0.4	1.2	3.8	1.6	0.4
c. Employee education expenditures	3.0	3.9	1.3	0.3	0.8	1.1	5.4	5.0	1.3	1.0	1.6	1.6	4.6	3.9	4.8	8.3	2.6	1.6	0.1	0.4	4.2	7.4	3.8	1.9
d. Child care	0.1	...	...	0.1	...	...	0.2	0.4	...	...	...	...	0.3	...	...	...	0.2	...	...	...	1.7	0.2	0.6	...
e. Other	6.8	11.1	16.7	1.5	1.2	4.3	31.4	4.3	5.9	6.7	5.0	9.3	11.9	16.9	3.0	4.8	4.8	4.0	0.6	2.6	7.1	5.8	5.4	7.2

[1] Includes research, engineering, education, government agencies, construction, etc.

... Less than 0.05 percent

Table 8. Employee Benefits as Dollars per Year per Employee, by type of Benefit and Industry Groups, 1989

Type of benefit	Total, all industries	Manufacturing industries														Nonmanufacturing industries							
		Total, all manufacturing	Food, beverage and tobaco	Textile products and apparel	Pulp, paper, lumber and furniture	Printing and publishing	Chemicals and allied products	Petroleum industry	Rubber, leather and plastic products	Stone, clay and glass products	Primary metal industries	Fabricated metal products (excluding machinery and transportation equipment)	Machinery (excluding electrical)	Electrical machinery, equipment and supplies	Transportation equipment	Instruments and miscellaneous manufacturing industries	Total, all nonmanufacturing	Public utilities (electric, gas, water, telephone, etc.)	Department stores	Trade (wholesale and other retail)	Banks, finance companies and trust companies	Insurance companies	Hospitals	Miscellaneous nonmanufacturing industries*
Total employee benefits as dollars per year	11,527	12,707	11,173	5,996	10,361	9,693	14,653	15,027	13,376	9,405	13,704	14,990	12,288	11,988	14,264	13,190	11,003	15,174	5,023	6,981	8,881	11,019	8,774	11,151
1. Legally required payments (employers' share only)	2,662	2,995	2,688	2,014	2,957	2,442	3,328	3,580	2,958	2,948	4,082	3,252	2,453	2,846	3,392	2,958	2,514	3,062	1,807	2,004	2,114	2,437	2,085	2,600
a. Old-age, Survivor, Disability, and Health, Insurance (employer FICA taxes) and Railroad Retirement Tax	2,118	2,341	2,012	1,459	2,022	1,803	2,687	2,805	2,234	2,027	2,411	2,229	2,056	2,323	2,614	2,363	2,020	2,595	1,270	1,255	1,837	2,144	1,809	1,943
b. Unemployment compensation	200	232	242	368	375	290	250	298	170	175	544	416	163	237	180	229	185	213	231	183	187	177	42	161
c. Worker's compensation (including estimated cost of self-insured)	332	412	434	186	555	349	340	473	551	746	1,097	572	223	281	592	333	296	249	293	543	79	108	230	472
d. State sickness benefits insurance and other	12	10	0	1	5	0	51	4	4	0	31	36	11	4	6	33	13	4	14	23	12	8	4	24
2. Retirement and savings plan payments (employers' share only)	1,562	1,401	2,327	575	1,216	1,493	1,129	2,518	1,653	1,151	1,634	3,094	3,148	849	1,119	1,732	1,633	2,340	263	712	1,663	1,793	681	1,795
a. Defined benefit pension plan contributions	586	275	496	259	415	241	273	75	1,187	163	601	2,186	97	121	154	434	724	1,354	32	247	337	620	379	687
b. Defined contribution plan payments (401K type)	316	366	125	4	531	279	326	667	241	428	316	91	331	111	787	420	294	405	68	13	674	306	126	290
c. Profit sharing	242	344	1506	180	67	17	179	143	154	459	362	311	2,152	35	24	457	196	346	0	212	366	217	68	69
d. Stock bonus and employee stock ownership plans (ESOP)	90	151	2	73	1	935	291	1,027	0	0	183	311	549	8	13	292	63	30	139	5	94	66	21	84
e. Pension plan premiums (net) under insurance and annuity contracts (insured and trusted)	142	20	19	48	0	4	2	0	1	0	25	101	0	2	55	1	197	17	0	218	71	391	0	420
f. Administrative and other cost	185	244	179	11	202	16	56	606	71	101	147	94	19	571	86	129	159	177	24	15	121	194	87	245
3. Life insurance and death benefit payments (employers' share only)	158	205	150	101	126	119	181	245	172	140	261	263	64	295	193	160	137	237	31	43	122	160	55	101
4. Medical and medically related benefit payments (employers' share only)	2,853	3,315	2,221	1,570	2,486	1,853	4,040	3,441	4,319	2,178	3,740	4,465	1,886	3,234	4,162	3,145	2,648	4,480	776	1,595	1,670	2,380	2,007	2,265
a. Hospital, surgical, medical, and major medical insurance premiums (net)	2,150	2,494	1,731	1,450	1,860	1,522	2,752	2,554	2,195	1,784	2,826	2,378	1,481	2,640	3,064	2,637	1,997	3,220	588	1,397	1,369	1,812	1,752	1,747
b. Retiree (payments for retired employees) hospital, surgical medical, and major medical insurance premiums (net)	264	352	87	1	277	99	790	372	579	81	608	1,223	73	274	475	156	225	461	60	63	82	206	9	166
c. Short-term disability, sickness or accident insurance (company plan or insured plan)	93	93	129	44	124	96	46	358	233	24	108	169	60	116	44	53	93	211	23	27	54	53	31	58
d. Long-term disability or wage continuation (insured, self-administered, or trusts)	55	44	93	3	30	71	45	21	198	55	41	77	24	7	54	84	60	69	0	24	47	107	53	56
e. Denial insurance program	188	237	158	70	193	65	248	109	255	146	131	164	143	191	412	189	165	307	59	35	88	158	109	127
f. Other (vision care, physical and mental fitness benefits for former employees)	104	96	24	2	2	1	160	28	859	88	25	454	117	5	113	27	108	212	48	50	30	45	54	108
5. Paid rest periods, coffee breaks, lunch periods, wash-up, travel time, clothes change time, get ready time, etc.	700	683	477	170	1,261	945	801	1,080	445	853	879	967	982	527	678	874	708	567	498	902	680	585	1,160	924
6. Payments for time not worked	3,304	3,742	2,846	1,527	2,271	2,733	4,260	3,945	3,627	1,961	2,916	2,687	3,277	3,748	4,548	3,991	3,109	4,327	1,128	1,641	2,322	3,299	2,517	3,261
a. Payments for or in lieu of vacations	1,728	1,933	1,632	857	1,285	1,537	2,117	2,403	2,391	1,013	1,702	1,573	1,779	2,038	2,048	1,931	1,637	2,360	724	930	1,149	1,627	1,251	1,649
b. Payments for or in lieu of holidays	1,053	1,225	1,001	522	823	753	1,347	1,324	1,081	734	994	862	1,074	1,160	1,575	1,378	977	1,357	207	438	819	1,115	580	1,081
c. Sick leave pay	398	403	103	74	123	250	185	153	49	204	104	168	406	367	732	521	396	443	196	221	270	437	405	495
d. Parental leave (maternity and paternity leave payments)	1	0	0	0	0	1	0	0	0	0	1	1	0	0	0	2	2	3	0	0	3	0	7	1
e. Other	123	181	109	74	40	193	610	65	106	10	115	84	17	184	192	159	97	164	0	52	82	120	274	35
7. Miscellaneous benefit payments	289	365	464	40	43	108	913	219	202	174	193	261	479	489	170	330	255	161	519	84	309	364	269	207
a. Discounts on goods and services purchased from company by employees	58	19	61	3	0	4	29	2	49	0	3	2	0	33	2	16	75	25	505	15	21	24	34	11
b. Employee meals furnished by company	25	28	40	0	2	0	151	14	0	0	50	27	126	5	0	36	24	21	0	8	24	75	33	8
c. Employee education expenditures	63	83	26	6	16	21	106	105	28	22	33	33	97	85	104	175	54	33	1	8	86	146	78	39
d. Child care	3	1	0	1	0	0	3	8	0	0	0	0	6	0	0	1	4	0	0	0	34	5	12	1
e. Other	140	234	337	30	26	83	624	90	125	151	107	199	249	367	65	102	99	82	13	53	145	114	111	149

* Includes research, engineering, education, government agencies, construction, etc.

...Less than 0.05 percent

Table 9 shows benefit payments by region for the various industry groups. The regions are based on geographic designations used by the U.S. Census Bureau. The determination of the geographic location of the firm is based on the mailing address of the firm's headquarters. For example, a firm headquartered in New York with stores or factories all across the nation would be located in the North East in our survey system.

There are regional variations in the percent of payroll spent on benefits. Regional differences in benefit packages do not appear to be as polarized as they have been in past years. The benefit levels in each of the geographic areas are driven by different factors. The East North Central region of the nation had the highest level of benefits. This is because firms in this area are older and more mature with high levels of existing liabilities to workers that need to be funded. Benefits in the West are driven by factors different from those in the older industrialized parts of the nation. Workers in many of the firms in the West are younger and more mobil. In the West, benefits are used to attract more qualified workers, while in the older industrial regions benefits constitute an obligation to workers with long tenure and retirees.

Large differences exist in the cost of health insurance expenditures by firms in the different regions of the nation.

Cost of Medically Related Benefits

All Regions	$2,853
East	3,639
Southeast	2,260
Midwest	2,477
West	3,015

The cost of medically related insurance programs varies significantly based on the area of the country in which a firm is located. The differential between the highest and the lowest cost area is more than 60 percent. The average amount spent on medical insurance per employee was more than $3,600 per year per employee in the Eastern part of the U.S. compared to $2,260 per year in the Southeast, $2,277 in the Midwest and $3,015 in the Western part of the nation.

Compared to last year, benefits as a percent of payroll increased in all regions of the country except for the West. The lowest level of benefits, 36.1 percent of payroll, was reported in the Northeast where benefit payments increased at a faster rate than payroll going from 35.2 percent of payroll in 1988 to 36.1 percent of payroll in 1989. On a regional basis, the East North Central region showed the largest increase, while benefit payments slowed in the West and declined as a percent of payroll.

There appears to be more of a standardization of benefits nationally and across company size than in prior years. More firms, even the smallest of firms, are now giving some basic benefits, such as health insurance, vacations and holidays than was the case just a few years ago. The expansion of benefits is a direct result of a record expansion that has forced many firms that had previously not offered benefits to offer them in a bid to attract and keep qualified workers. More than three-fourths of the cost of benefits paid to workers are voluntary benefits and are not mandated by either federal or state laws.

Table 9. Employee Benefits as Percent of Payroll, By Region and Industry Group, 1989

Industry Group	Total, all Regions	Northeast	East North Central	Southeast	West
	(Number of firms by region and industry in parentheses)				
Total, all industries	37.6 (957)	36.1 (183)	39.9 (241)	38.3 (288)	37.6 (245)
Total, all manufacturing	37.0 (309)	35.6 (70)	39.8 (96)	36.3 (66)	38.1 (77)
Manufacture of:					
Food, beverages and tobacco	37.4 (26)	36.7 (4)	36.6 (8)	40.2 (8)	33.3 (6)
Textile products and apparel	28.8 (13)	.. (0)	.. (0)	28.9 (11)	.. (2)
Pulp, paper, lumber and furniture	35.0 (18)	.. (1)	34.9 (5)	33.1 (5)	35.2 (7)
Printing and publishing	33.3 (19)	32.2 (5)	34.1 (5)	37.1 (5)	29.3 (4)
Chemicals and allied products	38.9 (19)	46.4 (7)	40.7 (6)	33.7 (4)	.. (2)
Petroleum industry	38.3 (9)	.. (1)	.. (1)	38.2 (5)	.. (2)
Rubber, leather and plastic products	43.0 (17)	37.1 (5)	46.7 (5)	38.6 (4)	48.7 (3)
Stone, clay and glass products	33.2 (7)	.. (2)	.. (0)	32.6 (3)	.. (2)
Primary metal industries	42.1 (14)	45.2 (4)	41.5 (6)	37.4 (4)	.. (0)
Fabricated metal products (excluding machinery and transportation equipment)	49.1 (41)	44.3 (7)	35.2 (24)	45.9 (5)	60.8 (5)
Machinery (excluding electrical)	39.4 (23)	38.2 (3)	36.8 (11)	.. (2)	39.7 (7)
Electrical machinery & supplies	34.4 (48)	33.9 (12)	40.4 (15)	36.8 (9)	36.6 (12)
Transportation equipment	37.9 (22)	38.5 (5)	41.5 (7)	.. (0)	37.6 (10)
Instruments and miscellaneous manufacturing industries	37.4 (33)	38.2 (14)	34.4 (3)	.. (1)	37.4 (15)
Total, all nonmanufacturing	37.9 (648)	36.5 (113)	39.9 (145)	38.7 (222)	37.1 (168)
Public utilities (electric, gas, water, telephone, etc.)	40.3 (125)	37.8 (18)	39.7 (21)	43.1 (44)	42.6 (42)
Department stores	29.0 (4)	.. (1)	.. (0)	.. (1)	.. (2)
Trade (wholesale and other retail)	40.4 (38)	.. (1)	34.6 (12)	37.3 (13)	44.3 (12)
Banks, finance co. & trust co.	32.7 (71)	35.9 (10)	33.5 (14)	32.3 (32)	30.2 (15)
Insurance companies	38.4 (110)	34.7 (24)	42.2 (39)	36.4 (21)	36.5 (26)
Hospitals	34.7 (97)	33.8 (22)	35.5 (21)	33.7 (31)	36.1 (23)
Miscellaneous nonmanufacturing industries	37.7 (203)	33.2 (37)	38.5 (38)	38.3 (80)	37.6 (48)
Number of companies	957 (957)	183 (183)	241 (241)	288 (288)	245 (245)

*Includes research, engineering, education, government agencies, construction, etc
...Fewer than three companies reporting

NORTHEAST	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont
EAST NORTH CENTRAL	Illinois, Indiana, Michigan, Ohio, and Wisconsin
SOUTHEAST	Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia
WEST	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming

7. SIZE OF COMPANY VARIATIONS

In 1989, as in earlier years, larger firms generally paid more benefits than smaller firms, as shown in Table 10.

The highest level of benefits was reported by firms with 5,000 or more employees, which paid 37.8 percent of payroll for benefits. Benefit levels for the largest firms increased at a more rapid pace than for smaller firms. All size firms reported an increase in the percentage of payroll going to benefits. This means that benefits costs are increasing at a faster pace than direct compensation for employers of all sizes. Firms with less than 100 employees showed a small increase going from 34.2 to 34.6 percent of payroll, and firms with between 500 and 999 employees showed the largest increase in the cost of benefits with benefits increasing nearly two whole percentage points from 35.4 percent of payroll to 37.3 percent of payroll. Benefits packages are becoming more standardized for firms of all sizes this year compared with earlier years when there were greater differentials. The greatest differential is between the smallest firms, those with less than 100 employees and other firms. It appears that once a firm reaches the 100 employee level it adopts a standard benefits package. Survey participants with less than 10 employees had the lowest benefits level, 28.4 percent of payroll; those with 10 to 49 employees paid 33.1 percent of payroll for benefits.

Because of the complexity of the benefit laws, smaller, owner-operated firms usually cannot offer the same variety of benefits as larger companies with benefit specialists. In addition, small employers are finding it more difficult to buy medical insurance at reasonable prices. This may change the benefits packages that small employers can offer their employees, placing a greater wedge between the kinds of benefits offered by small and large firms.

Table 10. Employee Benefits as Percent of Payroll, By Size of Company and Industry Group, 1989

Industry group	(Number of firms in survey by industry and size in parentheses)						
		Number of Employees					
	Total, all companies	Under 100	100-499	500-999	1,000-2,499	2,500-4,999	5,000 and over
Total, all industries	37.6 (957)	34.6 (140)	36.6 (237)	37.3 (141)	37.0 (212)	37.2 (91)	37.8 (136)
Total, all manufacturing	37.0 (309)	35.6 (31)	36.3 (103)	38.0 (58)	37.8 (53)	37.6 (22)	36.9 (42)
Manufacture of:							
Food, beverages and tobacco	37.4 (26)	41.9 (3)	37.4 (9)	36.9 (5)	34.9 (3)	... (2)	37.9 (4)
Textile products and apparel	28.8 (13)	... (1)	34.9 (5)	26.4 (4)	... (1)	... (1)	... (1)
Pulp, paper, lumber and furniture	35.0 (18)	39.2 (3)	32.9 (7)	40.5 (4)	... (2)	... (1)	... (1)
Printing and publishing	33.3 (19)	25.1 (4)	31.1 (7)	... (2)	36.4 (4)	... (0)	... (2)
Chemicals and allied products	38.9 (19)	35.6 (5)	... (2)	... (1)	40.9 (3)	40.9 (4)	38.4 (4)
Petroleum industry	38.3 (9)	... (1)	37.2 (3)	... (2)	... (1)	... (0)	... (2)
Rubber, leather, plastic products	43.0 (17)	... (1)	36.7 (10)	... (1)	... (1)	... (0)	43.1 (4)
Stone, clay and glass products	33.2 (7)	... (1)	36.9 (3)	... (2)	... (1)	... (0)	... (0)
Primary metal industries	42.1 (14)	... (0)	41.9 (4)	43.1 (4)	40.6 (5)	... (0)	... (1)
Fabricated metal products (excluding machinery and transportation equipment)	49.1 (41)	41.2 (5)	37.7 (22)	41.4 (9)	39.7 (3)	... (1)	... (1)
Machinery (excluding electrical)	39.4 (23)	32.5 (3)	42.2 (7)	36.2 (5)	43.1 (4)	... (1)	39.4 (3)
Electrical machinery and supplies	34.4 (48)	... (1)	36.2 (10)	33.8 (6)	36.7 (18)	38.7 (5)	34.0 (8)
Transportation equipment	37.9 (22)	... (0)	32.0 (5)	31.9 (4)	... (2)	... (2)	38.0 (9)
Instruments and miscellaneous manufacturing industries	37.4 (33)	37.4 (3)	34.8 (9)	41.0 (9)	36.4 (5)	37.0 (5)	... (2)
Total, all nonmanufacturing	37.9 (648)	34.2 (109)	36.8 (134)	36.8 (83)	36.7 (159)	37.0 (69)	38.2 (94)
Public utilities (electric, gas, water, telephone, etc.)	40.3 (125)	47.8 (6)	46.1 (21)	40.3 (12)	40.8 (41)	41.2 (21)	40.1 (22)
Department stores	29.0 (4)	... (0)	... (0)	... (0)	... (0)	... (0)	29.0 (4)
Trade (wholesale and other retail)	40.4 (38)	31.7 (15)	33.8 (8)	32.7 (3)	... (2)	40.4 (3)	40.8 (7)
Banks, finance companies, and trust companies	32.6 (71)	33.1 (10)	38.3 (10)	35.5 (10)	31.5 (21)	34.6 (8)	32.2 (12)
Insurance companies	38.4 (110)	31.1 (16)	34.6 (17)	39.4 (15)	35.9 (26)	35.0 (13)	39.0 (23)
Hospitals	34.7 (97)	34.3 (6)	33.7 (19)	34.0 (23)	33.8 (36)	36.5 (11)	... (2)
Miscellaneous nonmanufacturing industries	37.7 (203)	34.3 (54)	34.7 (59)	35.9 (20)	37.0 (33)	30.9 (13)	38.5 (24)
Number of companies	957 (957)	140 (140)	237 (237)	141 (141)	212 (212)	91 (91)	136 (136)

*Includes research, engineering, education, government agencies, construction, etc.
...Fewer than three firms reporting; in these cases, data was not shown separately, however totals reflect all data.

Employer payments are reported on a net basis after deducting dividends or credits returned to employers. In addition, some firms with pension plans reported that they were not obligated to contribute to these funds, because the value of their portfolios had placed their plans at the required level of funding without additional contributions being made in 1989. The only cost incurred by those funds were generally administrative costs.

Pensions, Payments, Bonuses and Savings Plan Payments

As shown on Table 11, 850 of the 957 firms participating in this year's survey made some payment to a savings plan, pension fund, profit-sharing plan or similar plans. The rest indicated that they did not make any contributions to such plans for their employees. Firms not participating in either pension, profit sharing, savings or some form of deferred compensation represented 11.2 percent of the firms participating in the survey, a significant decline from 1988 when nearly 15 percent of the firms participating in the survey reported no contributions to pension and/or profit sharing plans. The largest change in pension plan activities was in the number of firms contributing to 401K plans for their employees, which increased from 47 to 54 percent of the firms. This is not to say that every employee in firms offering such plans was eligible to participate, but it indicates that those firms made some payments into a plan for at least some employees.

While the percentage of firms reporting payments for pension, profit-sharing and other savings plans increased significantly from the previous year, the amount paid into these plans only increased slightly from 5.0 to 5.1 percent of payroll going up just slightly faster than payroll costs. There was a lower percent of payroll contributed to defined benefit plans, while the amount contributed to 401K plans increased. The lower contributions to traditional defined benefit plans may be a result of the strong stock market in recent years, helping many firms fund their pension plans at lower costs than what might have been expected. The tripling of stock prices in the decade from 1979 to 1989 has resulted in many firms funding their pension plans from the increases in stock values alone.

The average payment to pension plans, bonuses, or savings plan payments in 1989 shown in Table 12, was 5.1 percent of payroll, up slightly from 5.0 percent of payroll reported last year. There was a decline in pension plan premiums payments to defined benefit plans from 2.0 percent of payroll in 1988 to 1.9 percent of payroll in 1989. At the same time, payments to defined contribution plans increased from 0.9 of payroll to 1.0 percent of payroll. Defined benefit plans are more traditional types of plans that give workers benefits based on pay, years of service, or similar criteria. These traditional plans declined in importance while the newer plans, such as 401K-type plans became more important.

Defined contribution plans, mainly 401K-type savings programs, registered an increase from 0.8 percent of payroll in 1987, to 0.9 percent in 1988, to 1.0 percent in 1989, keeping the ratio of employee contributions to employer contributions at about four to one. Profit-sharing, stock bonuses and administrative and other costs all increased as a percentage of payroll during 1989, while pension plan purchases under annuity contracts remained unchanged for the year.

Table 11. Pension Payments, Bonuses and Savings Plan Payments By Industry Group, 1989

Industry group	Total companies in survey	Number of companies paying specified percent of payroll for pensions								
		0%	0.1 - 1.9%	2.0 - 3.9%	4.0 - 5.9%	6.0 - 7.9%	8.0 - 9.9%	10.0 - 11.9%	12.0 - 13.9%	14.0% - OVER
Total, all industries	957	107	118	238	156	124	90	55	31	38
Total, all manufacturing	309	35	45	84	62	36	17	13	5	12
Food, beverages and tobacco	26	2	5	9	3	2	3	...	...	2
Textile products and apparel	13	1	4	3	4	...	1	...	...	...
Pulp, paper, lumber and furniture	18	4	1	6	5	2	...	...	...	...
Printing and publishing	19	6	2	4	3	1	...	2	...	1
Chemicals and allied products	19	2	4	6	1	4	...	1	1	...
Petroleum industry	9	...	...	2	3	2	1	...	...	1
Rubber, leather and plastic products	17	4	1	...	6	3	...	2	...	1
Stone, clay and glass products	7	...	2	3	1	1	...	...	...	...
Primary metal industries	14	1	2	4	1	2	3	1	...	...
Fabricated metal products (excluding machinery and transportation equipment)	41	1	9	7	9	5	2	4	1	3
Machinery (excluding electrical)	23	3	1	6	5	2	3	1	1	1
Electrical machinery, equipment & supplies	48	6	8	17	8	5	2	1	...	1
Transportation equipment	22	3	2	9	5	2	...	...	1	...
Instruments and miscellaneous manufacturing industries	33	2	4	8	8	5	2	1	1	2
Total, all nonmanufacturing	648	72	73	154	94	88	73	42	26	26
Public utilities (electric, gas. water, telephone, etc.)	125	7	8	26	17	22	21	8	9	7
Department stores	4	...	2	1	1	...	...	...	...	...
Trade (wholesale and other retail)	38	7	5	8	5	5	4	3	...	1
Banks, finance companies & trust companies	71	3	8	12	14	14	11	4	2	3
Insurance companies	110	8	13	28	17	15	10	10	4	5
Hospitals	97	19	19	42	8	1	2	2	3	1
Miscellaneous nonmanufacturing industries*	203	28	18	37	32	31	25	15	8	9

*Includes research, engineering, education, government agencies, construction, etc.
...Less than 0.05 percent.

Table 12. Pension Payments, Bonuses and Savings Plan Payments By Type of Pension, and Industry Group, 1989

Industry group	Total companies in survey	Pension payments as percent of Payroll						
		Total	Defined benefit pension plan contributions	Defined contribution plan payments	Profit sharing	Stock bonus and employee stock ownership plans (ESOP)	Pension plan premiums under insurance and annuity contracts	Administrative and other costs
Total, all industries	957	5.1	1.9	1.0	0.8	0.3	0.5	0.6
Total, all manufacturing	309	4.1	0.8	1.1	1.0	0.4	0.1	0.7
Food, beverages and tobacco	26	7.8	1.7	0.4	5.0	...	0.1	0.6
Textile products and apparel	13	2.8	1.2	...	0.9	0.4	0.2	0.1
Pulp, paper, lumber and furniture	18	4.1	1.4	1.8	0.2	...	...	0.7
Printing and publishing	19	5.1	0.8	1.0	0.1	3.2	...	0.1
Chemicals and allied products	19	3.0	0.7	0.9	0.5	0.8	...	0.1
Petroleum industry	9	6.4	0.2	1.7	0.4	2.6	...	1.5
Rubber, leather and plastic products	17	5.3	3.8	0.8	0.5	...	...	0.2
Stone, clay and glass products	7	4.1	0.6	1.5	1.6	...	...	0.4
Primary metal industries	14	5.0	1.8	1.0	1.1	0.6	0.1	0.5
Fabricated metal products (excluding machinery and transportation equipment)	41	10.1	7.2	0.3	1.0	1.0	0.3	0.3
Machinery (excluding electrical)	23	10.1	0.3	1.1	6.9	1.8	...	0.1
Electrical machinery, equipment & supplies	48	2.4	0.3	0.3	0.1	...	...	1.6
Transportation equipment	22	3.0	0.4	2.1	0.1	...	0.1	0.2
Instruments and miscellaneous manufacturing industries	33	4.9	1.2	1.2	1.3	0.8	...	0.4
Total, all nonmanufacturing	648	5.6	2.5	1.0	0.7	0.2	0.7	0.5
Public utilities (electric, gas, water, telephone, etc.)	125	6.2	3.6	1.1	0.9	0.1	...	0.5
Department stores	4	1.5	0.2	0.4	...	0.8	...	0.1
Trade (wholesale and other retail)	38	4.1	1.4	0.1	1.2	...	1.3	0.1
Banks, finance companies & trust companies	71	6.1	1.2	2.5	1.3	0.3	0.3	0.4
Insurance companies	110	6.3	2.2	1.1	0.8	0.2	1.4	0.7
Hospitals	97	2.7	1.5	0.5	0.3	0.1	...	0.3
Miscellaneous nonmanufacturing industries*	203	6.1	2.3	1.0	0.2	0.3	1.4	0.8

*Includes research, engineering, education, government agencies, construction, etc.
...Less than 0 .05 percent.

Payments for government mandated programs were virtually universal for all the firms surveyed. Workers are provided with Social Security, unemployment and workers' compensation packages. The cost of these plans is about nine percent of payroll. Details of the percentage of firms paying specific benefits are shown in Table 13.

Retirement and saving plans participation this year increased from 1988. While the percent of firms reporting payments into defined benefit plans declined from 45 to 44 percent from the previous year (a statistically insignificant change), the percent reporting payments into 401K-type savings plans increased significantly from 47 to 54 percent making this the most prevalent type of saving or pension plan. More than 88 percent of the firms participating in the 1989 survey reported contributions to at least one form of either retirement, saving, profit sharing or stock purchase plan. This was an increase from the previous year when 85 percent reported payments into these plans. The significant difference for retirement and saving plans in the last few years was a shift in the types of plans offered. Firms that offer 401K plans increased from 39 percent of all firms in the survey in 1987 to 47 percent in 1988 to 54 percent in 1989. There has been a downward trend in firms participating in defined benefit plans from 48 percent reporting payments into these plans in 1987, to 45 percent in 1988 and 44 percent in 1989; profit sharing payments increased from 20 percent of the firms making such payments in 1988 to 22 percent in 1989; stock bonus plan popularity increased from eight to nine percent; and pension plan premiums under insurance and annuity contracts declined slightly from 11 to 10 percent.

This year, 77 percent of the firms reported paid rest periods, about the same as 1987 and 1988.

The question of paid leave and the use of that leave appears to be changing significantly. More firms are consolidating the leave concept and doing away with specific leave definitions. The percentage of firms that paid vacation and holiday remained about the same in 1989 as in 1988. In 1989, 96 percent of the participating firms offered paid vacation and 91 percent offered paid holidays. Seventy-six percent of the firms paid sick leave, a lower percentage of firms than in 1988. The decline in firms paying sick leave is the result of a switch from sick leave to personal days off, which allow an employee to take off for personal illnesses, and also for the illnesses of other family members. Employees are covered for personal illness through long-term and short-term disability insurance. Some firms, such as hospitals that operate on around-the-clock basis, now offer only one form of integrated leave for all purposes. Some other firms are also adopting cafeteria plans that allow employees to choose the number of days off and the type of leave they take. The percent of firms reporting parental leave was the same as in 1988, about seven percent. Because employers include parental leave under short term disability and the integration of maternity leave into sick leave or other types of paid leave programs furnished by employers, the number of firms reporting payments for parental leave appears to be smaller.

Payments for health insurance for retirees are included, because unlike pension plans that generally have a separate fund for future needs, health insurance for retirees is drawn from current operating funds. Thirty-three percent of firms reported payments for retiree health insurance compared to 30 percent last year.

Six percent of the firms in the survey reported making some payment toward either off-premise child care or on-premise child care. This is a significant increase from the four percent of the firms in the survey that reported making such payments in each of the last two years.

Average benefit costs as percent of payroll for companies paying employee benefits by industry are shown in Table 14. The percentages of payroll for the various benefits on this table are greater than the percentages reported in other tables since they are the percentages of payroll for only those firms offering the specific benefits noted.

Table 13. Percent of Companies Paying Employee Benefits, 1989

Type of benefit	Total, all industries	Manufacturing industries															Nonmanufacturing industries							
		Total, all manufacturing	Food, beverage and tobacco	Textile products and apparel	Pulp, paper, lumber and furniture	Printing and publishing	Chemicals and allied products	Petroleum industry	Rubber, leather and plastic products	Stone, clay and glass products	Primary metal industries	Fabricated metal products (excluding machinery and transportation equipment)	Machinery (excluding electrical)	Electrical machinery, equipment and supplies	Transportation equipment	Instruments and miscellaneous manufacturing industries	Total, all nonmanufacturing	Public utilities (electric, gas, water, telephone, etc.)	Department stores	Trade (wholesale and other retail)	Banks, finance companies and trust companies	Insurance companies	Hospitals	Miscellaneous nonmanufacturing industries*
1. Legally required payments (employers' share only)																								
a. Old-age, Survivor, Disability, and Health, Insurance (employer FICA taxes) and Railroad Retirement Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
b. Unemployment compensation	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
c. Worker's compensation (including estimated cost of self-insured)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
d. State sickness benefits insurance and other	13	11	12	15	17	5	16	11	12	0	14	2	4	8	27	18	14	12	75	8	17	21	4	16
2. Retirement and savings plan payments (employers' share only)																								
a. Defined benefit pension plan contributions	44	45	50	38	72	21	32	33	59	43	57	54	39	40	55	39	43	62	75	29	42	40	46	34
b. Defined contribution plan payments (401K type)	54	56	54	31	44	53	74	44	53	57	57	49	57	63	59	64	53	70	50	34	77	63	25	46
c. Profit sharing	22	30	23	46	22	21	21	33	47	29	36	39	39	21	23	36	18	6	0	39	32	25	6	19
d. Stock bonus and employee stock ownership plans (ESOP)	10	11	4	15	6	16	26	22	0	0	14	17	9	6	9	15	9	13	25	8	13	8	2	8
e. Pension plan premiums (net) under insurance and annuity contracts (insured and trusted)	10	11	12	15	0	16	16	11	6	0	14	17	0	15	14	6	10	10	25	8	13	15	2	11
f. Administrative and other cost	60	58	62	62	50	42	63	89	47	57	50	66	57	56	55	61	61	60	25	61	72	65	56	59
3. Life insurance and death benefit payments (employers' share only)	92	93	92	77	89	89	95	89	100	100	93	95	91	92	95	97	92	92	100	89	99	95	93	87
4. Medical and medically related benefit payments (employers' share only)																								
a. Hospital, surgical, medical, and major medical insurance premiums (net)	99	99	100	100	100	100	100	100	100	100	100	100	100	98	95	100	98	99	100	100	100	100	99	96
b. Retiree (payments for retired employees) hospital, surgical medical, and major medical insurance premiums (net)	33	30	35	8	28	32	32	44	29	14	50	29	30	21	41	33	34	48	50	21	45	54	9	26
c. Short-term disability, sickness or accident insurance (company plan or insured plan)	41	56	54	38	61	42	26	78	71	71	64	63	61	60	50	48	33	27	75	37	32	44	26	34
d. Long-term disability or wage continuation (insured, self-administered, or trusts)	65	57	62	23	50	79	68	56	47	71	71	54	57	40	64	73	69	80	50	58	72	72	76	58
e. Dental insurance program	56	56	62	23	61	42	74	78	47	43	50	49	52	54	86	58	56	67	75	45	49	56	65	49
f. Other (vision care, physical and mental fitness benefits for former employees)	43	39	42	23	17	21	47	44	41	43	29	46	26	40	59	42	45	57	50	24	39	52	40	41
5. Paid rest periods, coffee breaks, lunch periods, wash-up time, travel time, clothes change time, get ready time, etc.	77	86	88	69	89	84	89	67	88	100	93	93	83	81	91	82	73	78	50	74	69	71	92	63
6. Payments for time not worked																								
a. Payments for or in lieu of vacations	96	98	96	100	94	100	100	100	100	100	93	98	100	96	95	100	94	99	100	95	96	97	96	89
b. Payments for or in lieu of holidays	91	96	85	92	94	95	100	100	100	100	93	95	100	98	95	100	88	98	50	89	90	94	82	82
c. Sick leave pay	76	68	69	38	44	89	68	78	53	43	64	66	61	75	68	88	80	91	100	71	79	80	89	69
d. Parental leave (maternity and paternity leave payments)	7	7	12	8	6	21	5	0	6	0	14	2	0	0	9	15	6	5	0	3	11	6	7	6
e. Other	63	65	58	54	67	68	53	89	65	29	79	61	61	65	82	73	62	86	25	47	45	65	72	49
7. Miscellaneous benefit payments																								
a. Discounts on goods and services purchased from company by employees	17	14	23	23	11	32	16	22	24	0	7	7	13	8	14	6	18	16	100	29	18	23	30	7
b. Employee meals furnished by company	24	14	19	0	22	5	37	44	0	14	21	7	9	13	0	24	28	37	0	11	27	49	34	14
c. Employee education expenditures	75	72	62	62	50	58	79	78	82	71	79	56	65	85	86	85	77	86	75	55	76	90	87	64
d. Child care	6	3	0	8	0	0	16	11	0	0	0	0	4	0	0	6	8	5	0	0	13	9	22	4
e. Other	75	77	96	85	78	79	79	78	76	43	93	80	70	63	82	79	73	84	50	61	72	85	79	61

*Includes research, engineering, education, government agencies, construction, etc.

Table 14. Average Benefit Costs as Percent of Payroll For Companies Paying Employee Benefits, 1989

Type of benefit	Total, all industries	Manufacturing industries															Nonmanufacturing industries							
		Total, all manufacturing	Food, beverage and tobacco	Textile products and apparel	Pulp, paper, lumber and furniture	Printing and publishing	Chemicals and allied products	Petroleum industry	Rubber, leather and plastic products	Stone, clay and glass products	Primary metal industries	Fabricated metal products (excluding machinery and transportation equipment)	Machinery (excluding electrical)	Electrical machinery, equipment and supplies	Transportation equipment	Instruments and miscellaneous manufacturing industries	Total, all nonmanufacturing	Public utilities (electric, gas, water, telephone, etc.)	Department stores	Trade (wholesale and other retail)	Banks, finance companies and trust companies	Insurance companies	Hospitals	Miscellaneous nonmanufacturing industries*
1. Legally required payments (employers' share only)																								
a. Old-age, Survivor, Disability, and Health, Insurance (employer FICA taxes) and Railroad Retirement Tax	6.9	6.8	5.8	7.0	6.8	6.2	7.1	7.2	7.2	7.2	7.4	7.3	6.6	6.7	7.0	6.7	7.0	6.9	7.3	7.3	6.8	7.5	7.1	6.6
b. Unemployment compensation	0.7	0.7	0.8	1.8	1.3	1.0	0.7	0.8	0.5	0.6	1.7	1.4	0.5	0.7	0.5	0.6	0.6	0.6	1.3	1.1	0.7	0.6	0.2	0.5
c. Worker's compensation (including estimated cost of self-insured)	1.1	1.2	1.5	0.9	1.9	1.2	0.9	1.2	1.8	2.6	3.4	1.9	0.7	0.8	1.6	0.9	1.0	0.7	1.7	3.1	0.3	0.4	0.9	1.6
d. State sickness benefits insurance and other	0.1	0.1	0.0	0.0	0.0	0.5	0.5	1.5	0.0	0.0	0.2	0.4	9.4	0.1	0.1	0.4	0.1	0.0	0.1	0.5	0.1	0.1	0.7	0.4
2. Retirement and savings plan payments (employers' share only)																								
a. Defined benefit pension plan contributions	3.5	2.0	1.8	1.4	1.5	1.8	2.3	0.6	3.9	2.1	2.3	9.1	2.9	2.6	0.8	3.7	4.0	4.3	0.3	4.4	2.3	4.5	2.2	4.5
b. Defined contribution plan payments (401K type)	1.9	1.8	1.1	0.7	2.1	1.0	1.5	1.8	0.9	1.7	1.2	0.7	1.1	2.1	2.3	2.1	2.0	2.0	0.8	0.7	2.7	1.9	1.7	2.2
c. Profit sharing	3.2	5.3	13.1	3.4	1.5	0.1	2.1	10.3	1.5	3.3	4.8	2.4	7.8	4.6	1.0	4.0	2.4	2.4	0.0	2.0	3.9	2.2	5.3	2.2
d. Stock bonus and employee stock ownership plans (ESOP)	2.4	2.8	1.4	0.5	1.2	3.8	3.5	4.2	0.0	0.0	4.7	5.1	2.6	1.3	1.0	2.0	2.0	1.0	1.7	6.1	1.5	3.2	6.0	3.4
e. Pension plan premiums (net) under insurance and annuity contracts (insured and trusted)	3.6	1.7	3.2	1.1	0.0	0.4	0.2	0.0	0.7	0.0	0.6	2.7	0.0	0.5	2.5	0.1	3.8	0.5	0.1	3.1	3.2	4.3	0.1	5.4
f. Administrative and other cost	1.0	1.0	0.7	0.2	0.8	0.1	0.5	2.2	0.2	0.5	0.6	0.6	0.1	1.8	0.4	0.6	1.0	1.0	0.3	0.1	0.6	1.0	0.6	1.3
3. Life insurance and death benefit payments (employers' share only)	0.5	0.6	0.5	0.5	0.4	0.4	0.6	0.6	0.6	0.5	0.8	0.9	0.2	0.9	0.5	0.5	0.5	0.6	0.2	0.4	0.5	0.6	0.2	0.4
4. Medical and medically related benefit payments (employers' share only)																								
a. Hospital, surgical, medical, and major medical insurance premiums (net)	7.1	7.3	5.8	7.0	6.3	5.2	7.3	6.5	7.1	6.3	8.7	7.8	4.7	7.6	8.3	7.5	6.9	8.7	3.4	8.1	5.0	6.3	7.0	5.9
b. Retiree (payments for retired employees) hospital, surgical medical, and major medical insurance premiums (net)	1.3	1.6	0.5	0.0	1.2	0.7	4.0	1.0	2.6	0.6	2.1	5.6	0.3	1.2	1.9	0.7	1.2	1.8	0.5	0.9	0.5	1.0	0.3	0.9
c. Short-term disability, sickness or accident insurance (company plan or insured plan)	0.5	0.4	0.5	0.2	0.5	0.6	0.4	1.0	0.8	0.3	0.4	0.7	0.2	0.5	0.3	0.3	0.6	0.8	0.2	0.3	0.5	0.5	0.4	0.4
d. Long-term disability or wage continuation (insured, self-administered, or trusts)	0.3	0.3	0.3	0.1	0.1	0.2	0.3	0.1	0.8	0.2	0.1	0.3	0.3	0.2	0.4	0.4	0.3	0.2	0.0	0.2	0.2	0.6	0.3	0.4
e. Dental insurance program	0.8	0.8	0.9	0.5	0.7	0.4	0.8	0.7	1.0	0.8	0.6	0.8	0.5	0.6	1.1	0.8	0.8	0.9	0.6	0.4	0.6	0.8	0.6	0.7
f. Other (vision care, physical and mental fitness benefits for former employees)	0.6	0.6	0.2	0.2	0.1	0.0	1.0	0.2	2.9	0.4	0.2	2.9	0.4	0.2	0.4	0.3	0.6	0.7	0.4	0.8	0.2	0.3	0.5	0.6
5. Paid rest periods, coffee breaks, lunch periods, wash-up time, travel time, clothes change time, get ready time, etc.	3.3	2.2	1.9	3.5	4.6	5.5	3.4	2.9	2.3	3.0	2.9	3.8	4.0	1.6	1.8	2.6	4.1	3.2	5.9	5.5	4.5	3.3	4.9	4.5
6. Payments for time not worked																								
a. Payments for or in lieu of vacations	5.7	5.6	5.5	4.1	4.4	5.3	5.6	6.1	7.7	3.6	5.4	5.3	5.7	5.8	5.4	5.5	5.7	6.3	4.2	5.4	4.5	5.9	5.0	5.7
b. Payments for or in lieu of holidays	3.6	3.6	3.9	2.6	2.8	2.6	3.6	3.4	3.5	2.6	3.2	2.9	3.4	3.3	4.2	3.9	3.6	3.6	2.5	2.5	3.3	4.1	2.7	3.8
c. Sick leave pay	1.5	1.3	0.7	0.4	0.5	0.9	0.7	1.0	0.5	1.0	0.6	0.8	1.4	1.1	2.0	1.5	1.6	1.3	1.1	1.3	1.3	2.0	1.7	2.1
d. Parental leave (maternity and paternity leave payments)	0.0	0.1	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.0	0.0	0.1	0.0	0.0	0.5	0.1	0.0	0.0	0.0	0.9	0.1	0.1	0.4	0.2
e. Other	0.6	0.7	0.8	0.4	0.1	1.2	2.3	0.2	0.3	0.1	0.4	0.3	0.4	0.7	0.5	0.5	0.5	0.5	0.0	0.5	0.7	0.7	1.3	0.3
7. Miscellaneous benefit payments																								
a. Discounts on goods and services purchased from company by employees	0.6	0.2	0.3	0.0	0.0	0.2	0.5	0.0	0.3	0.0	0.1	0.1	0.0	0.1	0.1	1.4	1.0	0.4	2.9	0.6	0.3	0.2	0.4	0.4
b. Employee meals furnished by company	0.4	0.6	0.6	0.0	0.1	0.1	0.9	0.1	0.0	0.0	0.3	0.3	0.6	0.6	0.0	0.3	0.4	0.3	0.0	0.2	0.2	0.6	0.3	0.3
c. Employee education expenditures	0.3	0.3	0.1	0.0	0.2	0.1	0.3	0.3	0.1	0.1	0.1	0.1	0.4	0.3	0.3	0.5	0.3	0.1	0.0	0.1	0.4	0.5	0.3	0.2
d. Child care	0.1	0.1	0.0	0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	1.1	0.1	0.2	0.0
e. Other	0.7	0.9	1.1	0.5	0.1	0.5	2.7	0.6	0.4	2.1	0.3	0.7	1.0	1.1	0.3	0.4	0.6	0.4	0.1	0.4	0.9	0.5	0.5	1.1

*Includes research, engineering, education, government agencies, construction, etc.

Payroll deductions for employee benefits (Table 15) amounted to 11.9 percent of payroll. The major part of these deductions went to the Old Age, Survivors, Disability and Health Insurance (OASDHI) programs.

Employee contributions to health and life payments amounted to 1.5 percent of payroll, indicating that employees were absorbing approximately 13.3 percent of the cost of their insurance programs, down from 1988 when employees paid for about 13.8 percent of their insurance costs. The total cost of health and life insurance when both the employer and employee cost are added together is 11.3 percent of payroll. This is an increase from 10.8 percent. Employers have absorbed virtually the entire increase in medical costs between 1988 and 1989, the employee share of medical costs has increased at the same rate as pay, but employers costs have increased more than twice as fast as pay.

Employee deductions for retirement and savings plans increased during the past year. In 1986, employers reported employee deductions for pension and savings plans of 2.7 percent of payroll, 3.0 percent in 1987, 3.5 percent in 1988 and in 1989 this increased further to 3.6 percent. This attests to the growing popularity of programs such as the 401K-type plans that allow employees to contribute money without paying taxes until either retirement or some emergency need for money should arise. Based on an analysis of the data in this survey, about 4.6 percent of payroll is going into these plans of which 3.6 percent is contributed by the employee and 1.0 percent by employers. The ratio of employee to employer contributions, is about $4.00 being contributed by employees for every $1.00 that employers contribute to 401K and similar type plans. These programs should continue to grow in popularity as a result of the limits on the deductibility of Individual Retirement Account (IRA) contributions based on income limitations under the present tax law.

The employee cost of life insurance exceeds the employer contribution. This is probably due to the limit on the amount of life insurance that can be provided to employees by employers. This results in employers shifting benefit dollars to other insurance plans, such as health insurance and savings plans, where the benefit dollars are not taxed. Employees covered by this survey paid 58 percent of the cost of life insurance, compared with slightly more than 10 percent of the cost of health insurance.

Table 15. Payroll Deductions for Employee Benefits, 1989

Type of benefit	Deductions as Percent of Payroll					Total cents per hour	Total dollars per year
	Total deductions	OASDHI	Medically related benefits	Retirement and savings plans	Life insurance and other deductions		
Total, all industries	11.9	6.8	0.8	3.6	0.7	175.6	3,642
Total, all manufacturing	12.7	6.9	0.6	4.1	1.1	204.9	4,340
Manufacture of:							
Food, beverages and tobacco	13.1	6.8	0.6	2.1	3.7	194.6	3,922
Textile products and apparel	8.0	7.1	0.6	0.3	0.1	83.9	1,664
Pulp, paper, lumber and furniture	11.7	6.9	0.7	2.7	1.3	166.1	3,451
Printing and publishing	8.4	6.2	0.7	1.3	0.2	124.0	2,429
Chemicals and allied products	13.6	7.8	0.4	4.9	0.5	257.0	5,098
Petroleum industry	14.1	7.2	1.5	4.7	0.6	265.0	5,513
Rubber, leather and plastic products	10.3	7.2	0.7	2.2	0.2	152.5	3,206
Stone, clay and glass products	13.8	7.2	2.1	4.5	0.1	173.4	3,913
Primary metal industries	9.4	7.4	0.2	1.5	0.3	144.4	3,063
Fabricated metal products (excluding machinery and transportation equipment)	9.2	7.3	0.4	1.4	0.1	130.7	2,809
Machinery (excluding electrical)	12.0	6.5	0.9	4.1	0.5	177.5	3,728
Electrical machinery, equipment & supplies	14.5	6.7	0.6	5.2	2.0	232.9	5,045
Transportation equipment	11.8	7.0	0.2	4.2	0.3	204.4	4,432
Instruments and miscellaneous manufacturing industries	13.0	6.7	1.5	3.7	1.1	217.3	4,578
Total, all nonmanufacturing	11.5	6.8	0.9	3.3	0.4	162.3	3,332
Public utilities (electric, gas, water, telephone, etc.)	11.4	6.9	0.3	4.0	0.2	207.3	4,303
Department stores	10.3	7.4	0.6	2.3	0.1	85.8	1,784
Trade (wholesale and other retail)	8.7	7.3	0.7	0.4	0.3	73.0	1,507
Banks, finance companies & trust companies	12.4	6.5	1.8	3.5	0.6	164.5	3,360
Insurance companies	12.6	7.4	1.6	3.0	0.7	182.6	3,622
Hospitals	11.5	7.1	1.3	2.0	1.1	141.2	2,915
Miscellaneous non manufacturing industries*	11.5	6.0	1.3	3.5	0.6	164.2	3,387

*Includes research, engineering, education, government agencies, construction, etc.

Part-time employees generally do not receive all the benefits that full-time employees receive. However, this policy varies considerably according to industry and firm. Manufacturing firms that generally do not have significant numbers of part-timers do not seek to make special accommodations for such workers, while many hospitals and banks that have large numbers of part-time workers have developed special benefits packages to attract and keep part-time employees.

The industries that reported a significant percentage of part-time employees were printing and publishing, department stores, other wholesale and retail trade companies, food processing, banks and finance companies, miscellaneous nonmanufacturing firms and hospitals. Industries that made extensive use of skilled part-time workers tended to offer them more benefits than other industries.

While nearly 17 percent of the total firms reported giving all benefits to part-timers, up slightly from the 16 percent who reported giving all benefits to part-timers in last year's survey, many firms provided one or more of the other benefits provided their full-time workers. Employers provided vacation benefits to part-timers more than any other benefit except for retirement plans that have specific statutory guidelines. Nearly 35 percent of the firms specifically gave paid vacation and pensions to part-timers. This 35 percent when combined with the 17 percent of firms that offer all benefits to part-time employees, indicates that more than 50 percent of the firms do provide part-timers with some vacation. Twenty-five percent of firms provided some health care benefits, and this is combined with the 17 percent of firms that provided all benefits indicates that about 40 percent of firms provided some health care benefits to their part-time employees. The industry that was most likely to give benefits to part-time employees was hospitals. About 28 percent of the hospitals gave all benefits to part-time workers and 63 percent of the hospitals gave vacation. More than half of hospitals gave health benefits to their part-time employees.

BENEFITS PROVIDED TO PART-TIME EMPLOYEES

Benefit	Percent of Firms Giving	
	Part-Timers Benefit	Full-Timers Benefit
All Benefits	16.8%	100%
Specific Benefits Only		
Health	24.8	99
Retirement	35.6	89
Vacation	34.9	96

Total employee benefits for all employees are estimated at $911.66 billion for 1988, as shown on Table 17.

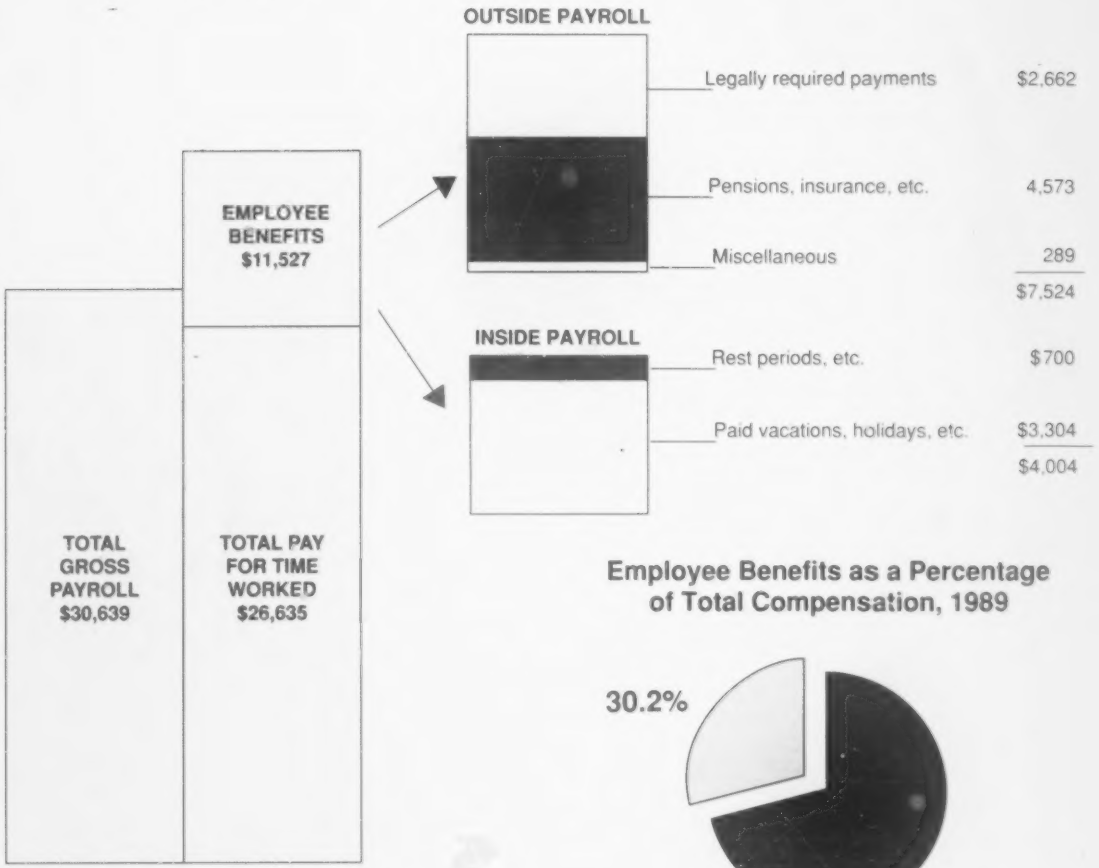
In comparison, in 1975, benefits were 30 percent of payroll or $244.4 billion. This included 8.4 percent of payroll for legally required payments, 3.6 percent for pensions, insurance and other agreed upon payments, 3.7 percent for rest periods, 9.4 percent for vacations, holidays, sick leave and other time not worked, and 1.2 percent for other benefits. The only benefit that does not appear to have increased is paid rest periods. This may be due to the changed nature of the workforce with more service workers and fewer industrial workers resulting in less formal arrangements for rest periods.

Since 1975, benefits have grown from 30 percent of payroll to 37.5 percent of payroll. Nearly half of the increase is due to increases in mandated benefits. The remaining increase resulted from increases in insurance costs (mainly health insurance) and an increase in the amount of vacations and holidays granted by employers. The estimated cost of benefits in 1989 of $965 billion was $150 billion more than total wages paid in 1975.

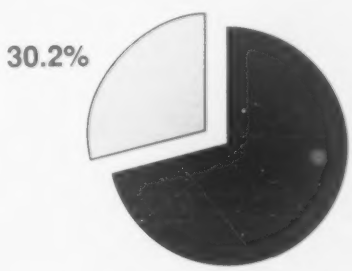
An analysis of the composition of benefits indicates that when there are more government mandates on benefits, benefits are more costly to employers and this does not necessarily improve the benefits available to employees. For example, laws passed that regulate pension systems during the 1970s appear to have imposed more regulations than some employers are willing to cope with and have resulted in a smaller percentage of firms offering traditional of pension plans. While most established firms that previously had pension plans have maintained them, newer firms are moving toward savings-type plans that are contingent mainly on employee rather than employer contributions.

State mandates on health insurance coverage appear to be pushing up health insurance costs, especially for small employers who must purchase health insurance on the open market. Higher administrative costs for benefits result in reducing the amount of money available for the actual payment of benefits.

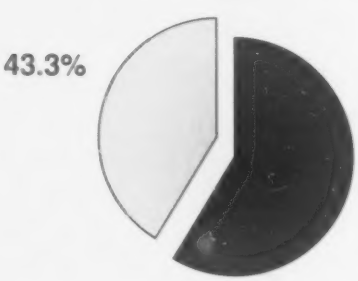
CHART 2. Average Annual Employee Benefits and Earnings, 1989



Employee Benefits as a Percentage of Total Compensation, 1989



Employee Benefits as a Percentage of Total Pay for Time Worked, 1989



Employee Benefits as a Percentage of Total Gross Payroll, 1989

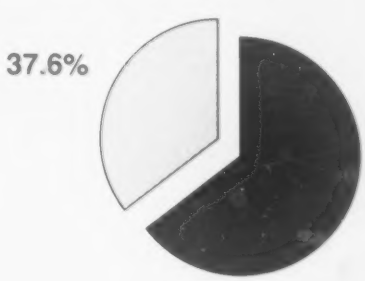


CHART 3. Total Employee Benefits as Percent of Payroll, 1951 to 1989

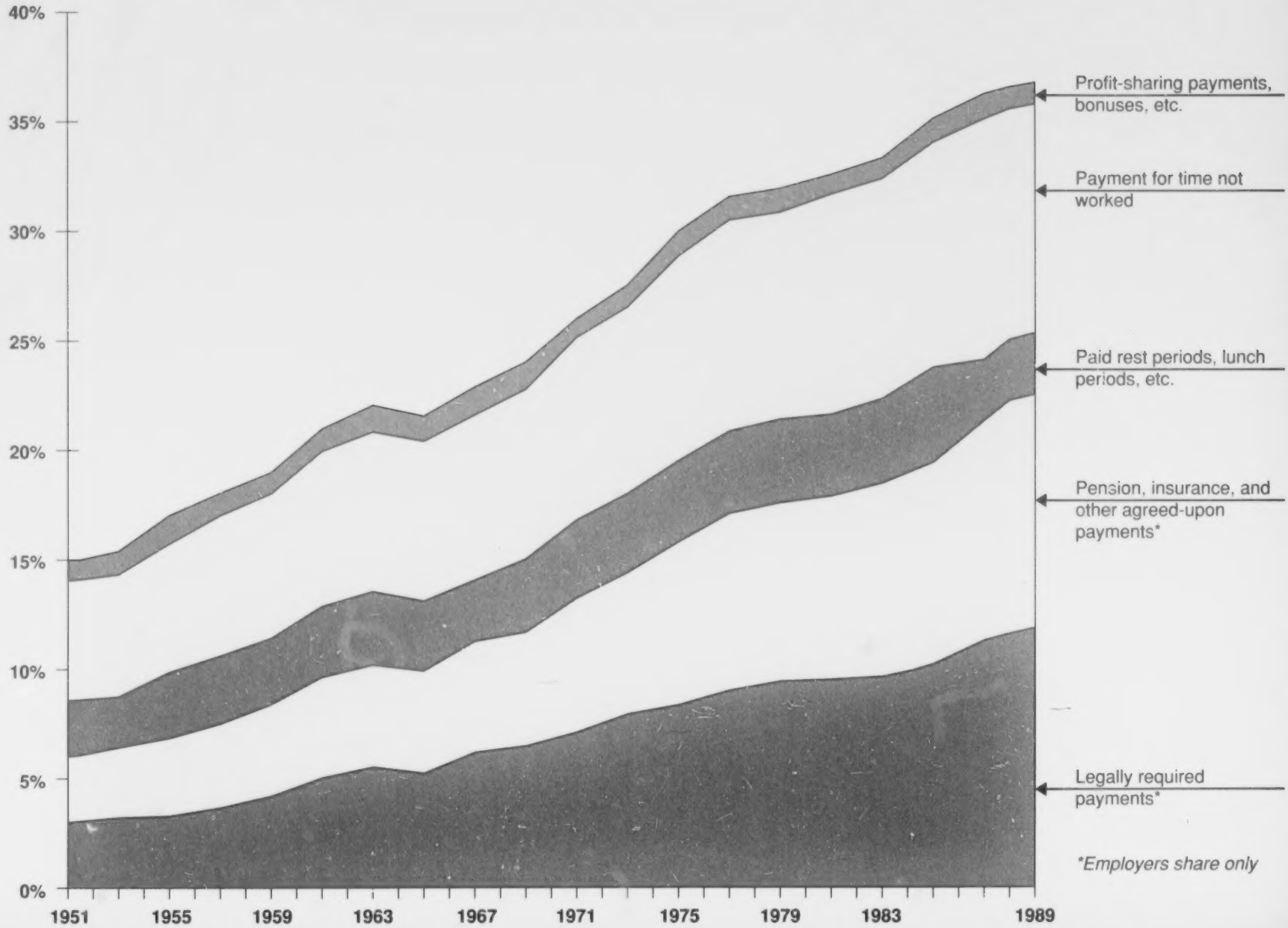


Table 16. Wage Data, by Industry Group, 1989

Industry group	Average hourly earnings as percent of payroll							Average hourly earnings as cents per hour							Total payroll dollars per year per full-time employee
	Total payroll	Straight-time pay*	Over-time premium pay*	Holiday premium pay	Shift differential	Earned incentive or production bonus	Other	Total payroll	Straight-time pay	Over-time premium pay*	Holiday premium pay*	Shift differential	Earned incentive or production bonus	Other	
Total, all industries	100.0	95.3	2.1	0.5	0.4	0.8	0.9	1,478	1,408	31	8	6	12	13	30,639
Total, all manufacturing	100.0	95.2	2.6	0.4	0.6	0.5	0.7	1,620	1,543	42	6	9	9	11	34,315
Manufacture of:															
Food, beverages and tobacco	100.0	92.4	3.9	0.2	0.3	0.3	2.9	1,482	1,369	58	2	4	5	42	29,886
Textile products and apparel	100.0	90.9	3.5	1.6	0.0	1.3	2.7	1,048	952	37	16	0	13	28	20,801
Pulp, paper, lumber and furniture	100.0	85.0	7.5	2.7	0.1	2.0	2.6	1,424	1,210	107	39	1	28	37	29,586
Printing and publishing	100.0	92.0	2.9	1.0	0.2	2.7	1.2	1,486	1,368	43	14	2	40	18	29,103
Chemicals and allied products	100.0	93.3	3.5	0.6	1.1	1.1	0.4	1,896	1,768	66	12	20	20	8	37,631
Petroleum industry	100.0	96.3	2.5	0.8	0.2	0.2	0.0	1,883	1,814	46	14	4	3	0	39,193
Rubber, leather and plastic products	100.0	94.5	4.5	0.2	0.7	0.1	0.1	1,478	1,397	66	2	9	1	1	31,095
Stone, clay and glass products	100.0	88.4	9.8	0.2	0.0	1.1	0.5	1,255	1,109	122	2	0	13	6	28,327
Primary metal industries	100.0	92.1	3.1	1.0	0.4	1.5	1.8	1,533	1,413	47	15	6	22	27	32,527
Fabricated metal products excluding machinery and transportation equipment)	100.0	93.8	3.1	0.8	0.6	1.5	0.3	1,419	1,331	43	10	8	20	4	30,514
Machinery (excluding electrical)	100.0	98.2	0.5	0.6	0.1	0.5	0.0	1,486	1,459	7	8	1	8	0	31,200
Electrical machinery, equip & supplies	100.0	96.3	1.7	0.1	0.7	0.4	0.7	1,610	1,551	27	2	12	5	12	34,886
Transportation equipment	100.0	96.3	2.9	0.1	0.5	0.1	0.1	1,734	1,669	50	2	8	1	1	37,597
Instruments and miscellaneous manufacturing industries	100.0	92.4	3.0	1.0	0.8	1.4	1.4	1,674	1,546	50	16	13	23	23	35,278
Total, all nonmanufacturing	100.0	95.3	1.8	0.6	0.4	0.9	1.0	1,413	1,346	26	8	5	13	14	29,008
Public utilities (electric, gas, water, telephone, etc.)	100.0	95.3	3.0	0.6	0.4	0.6	0.2	1,813	1,728	53	10	6	10	4	37,647
Department stores	100.0	94.4	0.8	0.7	0.1	2.1	1.9	832	785	6	5	0	17	15	17,307
Trade (wholesale and other retail)	100.0	93.1	1.7	0.4	0.4	1.6	2.9	837	779	14	3	3	13	23	17,294
Banks, finance companies & trust companies	100.0	92.7	0.6	0.1	0.2	3.6	2.7	1,332	1,234	8	1	2	48	36	27,203
Insurance companies	100.0	95.9	0.9	1.2	0.1	1.1	0.9	1,446	1,386	12	17	0	16	12	28,690
Hospitals	100.0	91.3	2.2	0.9	2.9	0.7	1.9	1,226	1,119	27	11	35	8	23	25,320
Miscellaneous nonmanufacturing industries**	100.0	96.8	1.3	0.2	0.3	0.3	0.9	1,434	1,389	19	3	4	4	13	29,590

*Includes bonus or premium pay only. If employee receives $10.00 per hour for straight time and $15.00 for overtime, for each overtime hour worked, $10.00 would be shown as straight-time pay and $5.00 as overtime pay.

**Includes research, engineering, education, government agencies, construction, etc.

Table 17. Growth of Employee Benefits, 1929 to 1989

Type of payment	1929	1955	1965	1975	1986	1988	1989
	(Percent of wages and salaries)						
1. Legally required	0.8%	3.3%	5.3%	8.4%	11.1%	11.6%	12.2%
Old-Age, Survivor, Disability, and Health Insurance (FICA taxes)	0..0	1.4	2.3	4.6	5.9	6.1	6.5
Unemployment compensation	0.0	0.7	1.0	0.8	1.2	1.0	0.9
Worker's compensation	0.6	0.5	0.7	1.0	1.0	1.6	1.7
Government employees retirement	0.2	0.5	1.0	1.7	2.8	2.7	2.9
Other	0.0	0.2	0.3	0.3	0.2	0.2	0.2
2. Agreed-upon	0.4	3.6	4.6	7.4	9.7	10.6	11.0
Pensions	0.2	2.2	2.3	3.6	2.8	4.1	4.0
Insurance	0.1	1.1	2.0	3.4	5.6	5.9	6.4
Other	0.1	0.3	0.3	0.4	1.3	0.6	0.6
3. Rest Periods	1.0	3.0	3.1	3.7	3.3	2.9	3.0
4. Time not worked	0.7	5.9	7.3	9.4	10.2	10.4	10.2
Vacations	0.3	3.0	3.8	4.8	5.2	5.5	5.4
Holidays	0.3	2.0	2.5	3.2	3.1	3.2	3.2
Sick leave	0.1	0.8	0.8	1.2	1.4	1.3	1.2
Other	0.0	0.1	0.2	0.2	0.5	0.4	0.4
5. Bonuses profit-sharing, etc.	0.1	1.2	1.2	1.1	1.2	1.1	1.1
Total benefit payments	3.0%	17.0%	21.5%	30.0%	35.5%	36.7%	37.5%
	(Billion Dollars)						
Wages and Salaries	$50.50	$212.10	$363.70	$814.70	$2,093.00	$2,431.10	$2,573.30
Total benefit payments	$1.50	$36.10	$78.20	$244.40	$743.00	$892.21	$964.98

Source: Estimated by U.S. Chamber of Commerce from U.S. Department of Commerce data and U.S. Chamber of Commerce survey.

Table 18 is derived from U.S. Department of Commerce data on "other labor income" and "employer contributions for social insurance" published as part of its national income statistics. These data are comprised using Department of Commerce estimates of employer expenditures for benefits, including costs associated with hiring but not paid directly to the employee as a part of wages and salaries such as, Social Security, employer provided health insurance, unemployment insurance pensions and other costs. The data mainly covers legally required payments and expenditures for private pension and insurance plans.

Expenditures for items covered by the Department of Commerce shows that other labor income increased more than 10 times faster than payroll since 1935. Other labor income as a percentage of payroll increased from 1.8 percent of payroll in 1935, the year the Social Security Act was passed, to 19.6 percent in 1989.

Since 1970, the Department of Commerce measure of other labor income has increased from 11.5 percent of payroll to 19.6 percent of payroll, nearly twice the rate of increase in payroll. This was due in large part to a more than 759 percent increase in employer contributions for Social Security, which went from about $18.5 billion in 1970 to $159 billion in 1989. The increase in Social Security payments since 1970 was more than twice as fast as the increase in wages and salaries.

Since 1980, other labor income increased from 17.9 percent of payroll to 19.7 percent of payroll in 1988. The major reason for the change since 1980 is the significant increase in Social Security taxes. Social Security contributions by employers have increased by 136 percent since 1980, significantly faster than the 87.6 percent increase in wages and salaries for the same period. On the other hand, privately agreed to supplements have increased at the identical rate as pay, going up by 87.6 percent between 1980 and 1989. The main reason for the increase in privately agreed to benefits is the increase in health insurance costs. The increases in health insurance costs in the private sector have been offset by declining contributions to pension plans. According to the Department of Commerce, pension plan contributions were nearly 13 percent less in 1989 than they were in 1980 despite the 87.6 percent increase in wage and salary payments by employers. The decline in employer contributions to pension plans may be related to the significant increases in the stock values held in company pension plans, since pension plans are heavily invested in stocks and thus would benefit from a rising market. Since 1980, stock prices as measured by most broad indexes, such as the Dow Jones Industrial Average have nearly tripled, thereby alleviating the need for many employers to contribute to their pension funds. But some benefits experts point to this as an indicator of renewed preference for pay rather than benefits. This may be the result of lower personal income tax rates enacted during the 1980s and the increased use of IRAs and 401K plans that allow employees to plan for their own retirement.

Table 18. Supplements to Wages and Salaries, 1929 to 1989

Item	1929	1935	1940	1954	1950	1955	1960	1965	1970	1975	1980	1986	1988	1989
Million Dollars*														
Total supplements to wages and salaries	662	650	2,311	5,604	7,818	13,238	23,000	34,538	63,240	124,980	242,543	413,097	474,006	505,752
Employer contributions for social insurance	101	171	1,624	3,805	4,164	6,216	11,780	16,698	30,733	60,457	115,297	217,000	248,500	263,900
Federal social insurance funds	29	44	1,469	3,580	3,482	4,957	9,645	13,668	24,889	48,921	92,935	182,000	210,000	227,000
Old-Age, Survivor, and disability insurance	...	...	329	630	1,308	2,825	5,632	8,330	6,182	30,490	55,623	98,100	118,100	127,200
Hospital insurance	...	...	...	...	...	...	...	...	2,342	5,610	11,623	26,000	29,500	31,800
State unemployment insurance	...	7	813	1,011	1,217	1,221	2,300	3,076	2,493	5,516	12,073	18,200	18,000	17,000
Federal unemployment tax	...	...	98	174	232	304	343	558	854	1,294	3,463	5,700	5,200	5,200
Federal civilian employee retirement	21	32	93	227	316	144	838	1,146	2,215	4,353	7,436	11,800	13,900	15,100
Other items	8	5	136	1,538	409	463	532	558	803	1,658	2,707	22,900	25,300	36,600
State and local social insurance funds	72	127	155	225	682	1,259	2,135	3,030	5,844	11,536	22,362	34,300	38,500	41,200
State and local employee retirement	72	127	155	225	510	985	1,775	2,525	5,091	10,170	19,103	30,000	32,200	33,800
Other items	...	...	...	...	172	274	360	505	753	1,366	3,259	4,300	6,300	7,400
Other Labor income	561	479	687	1,799	3,654	7,022	11,220	17,840	32,507	64,523	127,246	196,097	225,508	241,852
Employer contributions to:														
Private pensions and welfare funds	169	180	282	1,132	3,534	6,845	10,969	17,485	31,937	63,595	125,439	192,471	221,212	237,058
Pension and profit-sharing	...	...	...	...	1,713	3,377	4,866	7,646	13,050	28,253	54,694	52,262	47,928	47,768
Group health insurance	...	...	...	...	781	1,706	3,374	5,890	12,099	24,043	48,949	107,224	132,071	145,000
Group life insurance	...	...	...	...	249	561	1,080	1,651	2,891	4,368	6,203	9,403	10,165	10,794
Worker's compensation	...	...	...	...	791	1,150	1,529	2,177	3,786	6,695	15,208	23,131	30,408	32,969
Supplemental unemployment	...	...	...	...	...	51	120	121	111	236	345	451	640	527
Other items	392	299	405	667	120	177	251	355	570	928	1,807	3,626	4,296	4,794
Total supplements as percent of wages and salaries														
All industries	1.3	1.8	4.6	4.8	5.3	6.3	8.5	9.5	11.5	15.5	17.9	19.7	19.5	19.6
Agriculture, forestry and fisheries	0.4	0.5	0.6	0.4	0.6	1.9	4.7	5.6	7.4	10.7	13.4	15.8	15.9	16.3
Mining	1.6	1.7	5.7	4.0	9.4	10.5	12.2	12.8	15.3	18.5	18.0	19.9	20.8	21.1
Contract construction	2.3	3.5	6.6	5.3	5.9	6.5	7.0	8.5	9.9	12.5	14.2	21.4	21.1	21.4
Manufacturing	0.9	1.2	5.2	5.1	6.6	8.3	10.8	12.0	14.4	19.6	22.9	22.1	22.0	22.2
Transportation	2.0	2.7	6.2	6.0	6.6	7.4	9.6	10.6	12.7	18.7	19.6	22.4	23.2	23.5
Communication	2.1	4.4	8.8	8.9	10.1	8.9	11.1	18.2	24.0	28.9	29.5	27.0	26.7	26.9
Electric, gas and sanitory services	1.7	2.2	6.2	9.4	9.2	10.6	12.6	14.4	16.8	22.6	24.1	24.2	24.2	24.5
Wholesale and retail trade	0.6	0.8	3.9	3.4	3.8	4.3	6.4	7.6	9.4	11.9	13.8	15.2	15.2	15.5
Finance, insurance and real estate	2.4	2.6	6.0	5.1	6.1	7.5	9.6	11.4	13.3	17.8	18.8	17.5	16.7	17.1
Services	0.4	0.6	2.4	2.2	2.5	3.3	5.1	6.2	7.9	11.5	13.0	14.1	13.4	13.5
Government and government enterprises	3.2	3.4	4.1	5.3	4.2	4.1	7.2	7.9	10.0	14.2	17.7	25.9	26.8	27.2
All private enterprises	1.1	1.4	4.8	4.5	5.5	6.7	8.7	9.9	11.9	15.9	17.9	18.3	17.9	17.9

*Data prior to 1986 do not reflect national income account revisions. The 1987 "other items" under "Federal social insurance funds" also includes military retirement, which was not included in earlier data.

Source: U.S. Department of Commerce Data: Percentages computed by U.S. Chamber of Commerce.

As in earlier studies, it was necessary to go directly to the employers for the basic data on employee benefits. The mailing list included previous participants in the surveys and firms in the Survey Research Section's business samples taken from the U.S. Chamber of Commerce membership list. Questionnaires were also sent to firms requesting that they be included in the survey.

There were 1,120 respondents of which 957 were usable, out of the 7,700 companies in the sample. This represents a 14.6 percent response rate. The 957 firms with usable responses employed 4,207,823 persons nearly four percent of all wage and salary workers. This is the largest survey of its nature in terms of the number of persons covered. The survey includes both public and private sector employers.

In 1982, for the first time, the sample included firms with fewer than 100 employees, making the sample more representative of the business community. If the results from the benefit surveys of 1982-89 are compared with earlier surveys, one should be aware of several factors that could affect the findings. The sample size has increased. The composition of the sample was affected by the inclusion of firms from the Survey Research Section of the business community, which represents a scientific cross-section of U.S. business by industry, geography and size.

Employees Covered

This study covers all employees for the surveyed firms except officers. We have collected data for both hourly-paid and salaried employees and have published them together for aggregate benefits data, and separately in Tables 4a, 4b and 4c. We will further analyze the data and publish additional findings in the months ahead.

Computation Method

The method of computation used in this study is outlined below. Also shown is a procedure for computing a company's benefit payments on a basis comparable to that used in this report.

In combining company data to form industry averages, the payrolls for individual companies were added together and the percentage of payroll given to benefits was derived by adding the total cost for each benefit by total payroll. This results in the data being weighted by size of payroll for each of the participating firms. However, the tables by size of firm and industry allows each firm to compare its benefit levels with firms of similar size in the same industry. Some results, such as those on Tables 2 and 3 and the data on the Benefits Analyzer (the computer based program derived from this survey), are presented as median averages. In those tables and formats, each firm is given equal weight. The median results show a lower average benefit level, because smaller firms tend to have lower benefit levels than larger firms. However, because of the nature of the computer program, more specific comparisons are available for a firm by using the computer program than would be with the use of the publication.

Your Company's Employee Benefits

After the U.S. Chamber's previous benefits studies were published, several companies inquired how their data might be complied on a comparable basis. This can be done by completing the questionnaire on pages 45-52 and performing the following computations.

1. Total benefit payments (Questionnaire items B through H). $_____

2. "Full-time equivalent" employees (In questionnaire item J, divide the hours for all employees by the hours for a full-time employee) _____

Employee benefit payments as:

Percent of payroll (Item 1 above, divided by questionnaire item A-7) _____

Cents per payroll hour (Item 1 above divided by the total hours, including overtime hours, for all employees in questionnaire item J) _____

Dollars per year per employee (Item 1 above, divided by item 2 above) $_____

15. Employer Initiatives to Reduce Health Care Costs

Once again this year's survey contained several questions relating to health benefits and what steps, if any, firms had taken to control escalating health insurance costs.

One series of questions related to the use of wellness programs, such as health fairs to help employees spot any latent health problems they may have, and how effective the firms believed these programs were in reducing health costs, enhancing productivity and reducing absenteeism.

More than 59 percent of the firms reported that they had sponsored wellness programs, a six percent increase from last year. The industries that were most likely to sponsor wellness programs were hospitals, 82.4 percent; transportation equipment producers, 59 percent; utility companies 73 percent; petroleum producers, 78 percent; and insurance companies, 72 percent. Industries that either spent the most on health care or were in the health care or insurance business themselves tended to be more likely to have wellness programs than other firms.

More than 75 percent of the firms sponsoring wellness programs believed that these were an effective way of reducing health care costs and absenteeism and enhancing productivity. These programs make employees aware of health problems they may have, such as high blood pressure, elevated cholesterol levels, glaucoma and other easily detected problems, which, if detected early, can be treated routinely, but if left undetected, can result in major debilitating problems in the future. Many employees may use health fairs as an alternative to routine physical exams, thus reducing the cost of company provided benefits to the employer.

Cost Sharing — Another Way Of Reducing Health Care Costs

Rising health insurance costs have prompted many firms to establish cost containment measures. Thirty five percent of the firms responding reported that during the last two years they either instituted a deductible or raised an already existing deductible on their health insurance plans. In addition, more than 38 percent of the firms responding indicated that they had increased the percentage of health insurance premiums paid for by their employees. Even with many firms instituting cost containment measures, medical benefits costs to employers have increased significantly. Health premiums are increasing as a percent of payroll, because premiums are rising substantially faster than pay rather than in tandem with pay. During the past year, the employers share of medical and medically related costs per employee increased from 8.7 to 9.3 percent of payroll or from $2,538 per year to $2,853 per year, a 12.4 percent increase, more than twice the rate of increase in pay despite measures to control costs. The cost of health and dental insurance to employers increased more than 14 percent in 1989, from $2,052 per employee per year, to $2,338 per employee.

From 1985 to 1989 the employer cost of providing medical and dental insurance increased by more than 56 percent. The main reason for this increase is because the cost of medical care increased by 31.5 percent in that period, nearly twice the 15.2 percent increase in the Consumer Price Index for all items. Medical costs continue to rise at significantly faster rates than prices in general, and unless employers introduce more cost sharing measures or find other ways of reducing their share, health insurance costs will continue to increase more rapidly than wages. Health insurance premiums are going up twice as fast as medical care costs, compounding the problems facing employers.

Another way that employers are limiting their costs is by introducing cafeteria benefit plans. This gives employees a fixed contribution to health care costs and shifts the burden of any increase in the cost of health insurance to the employee rather than employer.

HEALTH INSURANCE AND DENTAL INSURANCE COSTS

YEAR	% of Payroll	$ per Year	CPI MED. CARE (1985=100)	1985$
1985	6.9	1491.90	100.0	1491.90
1986	6.7	1750.00	107.5	1628.07
1987	6.2	1725.00	114.6	1504.90
1988	7.1	2052.00	122.1	1680.39
1989	7.6	2338.00	131.5	1777.38
		INCLUDING RETIREE HEALTH INSURANCE		
1986	7.3	1907.00	107.5	1774.14
1987	6.9	1912.00	114.6	1668.04
1988	7.9	2285.00	122.1	1871.19
1989	8.5	2602.00	131.5	1978.08

Table 19. Cost of Medical Benefits and the Percentage of Companies That Provide Specified Benefits, 1989

Industry group	Cost of medical benefits							
	Hospital surgical, medical and major medical insurance premiums	Retiree hospital, surgical, medical and major medical insurance premiums	Short-term disability	Long-term disability	Sick leave	Dental insurance	Vision care physical / mental fitness, benefits for former workers	Parental leave
Total, all industries	2,150 (99%)	264 (33%)	93 (41%)	55 (65%)	398 (76%)	188 (56%)	104 (43%)	1 (7%)
Total, all manufacturing	2,494 (99%)	352 (30%)	93 (56%)	44 (57%)	403 (68%)	237 (56%)	96 (39%)	0 (7%)
Food, beverages and tobacco	1,731 (100%)	87 (35%)	129 (54%)	92 (62%)	103 (69%)	158 (62%)	24 (42%)	0 (12%)
Textile products and apparel	1,450 (100%)	1 (8%)	44 (38%)	3 (23%)	74 (38%)	70 (23%)	2 (23%)	0 (8%)
Pulp, paper, lumber and furniture	1,860 (100%)	277 (28%)	124 (61%)	30 (50%)	123 (44%)	193 (61%)	2 (17%)	0 (6%)
Printing and publishing	1,522 (100%)	99 (32%)	96 (42%)	71 (79%)	250 (89%)	65 (42%)	1 (21%)	1 (21%)
Chemicals and allied products	2,752 (100%)	790 (32%)	46 (26%)	45 (68%)	185 (68%)	248 (74%)	160 (47%)	0 (5%)
Petroleum industry	2,554 (100%)	372 (44%)	358 (78%)	21 (56%)	153 (78%)	109 (78%)	28 (44%)	0 (0%)
Rubber, leather and plastic products	2,195 (100%)	579 (29%)	233 (71%)	198 (47%)	49 (53%)	255 (47%)	859 (41%)	0 (6%)
Stone, clay and glass products	1,784 (100%)	81 (14%)	24 (71%)	55 (71%)	204 (43%)	146 (43%)	88 (43%)	0 (0%)
Primary metal industries	2,826 (100%)	608 (50%)	108 (64%)	41 (71%)	104 (64%)	131 (50%)	25 (29%)	1 (14%)
Fabricated metal products (excluding machinery and transportation equipment)	2,378 (100%)	1,223 (29%)	169 (63%)	77 (54%)	168 (66%)	164 (49%)	454 (46%)	1 (2%)
Machinery (excluding electrical)	1,481 (100%)	73 (30%)	60 (61%)	24 (57%)	406 (61%)	143 (52%)	117 (26%)	0 (0%)
Electrical machinery, equipment & supplies	2,640 (98%)	274 (21%)	116 (60%)	7 (40%)	367 (75%)	191 (54%)	5 (40%)	0 (0%)
Transportation equipment	3,064 (95%)	475 (41%)	44 (50%)	54 (64%)	732 (68%)	412 (86%)	113 (59%)	0 (9%)
Instruments and miscellaneous manufacturing industries	2,637 (100%)	156 (33%)	53 (48%)	84 (73%)	521 (88%)	189 (58%)	27 (42%)	2 (15%)
Total, all nonmanufacturing	1,997 (98%)	225 (34%)	93 (33%)	60 (69%)	396 (80%)	165 (56%)	108 (45%)	2 (6%)
Public utilities (electric, gas, water, telephone, etc.)	3,220 (99%)	461 (48%)	211 (27%)	69 (80%)	443 (91%)	307 (67%)	212 (57%)	3 (5%)
Department stores	588 (100%)	60 (50%)	23 (75%)	0 (50%)	196 (100%)	59 (75%)	48 (50%)	0 (0%)
Trade (wholesale and other retail)	1,397 (100%)	63 (21%)	27 (37%)	24 (58%)	221 (71%)	35 (45%)	50 (24%)	0 (3%)
Banks, finance company & trust company	1,369 (100%)	82 (45%)	54 (32%)	47 (72%)	270 (79%)	88 (49%)	30 (39%)	3 (11%)
Insurance companies	1,812 (100%)	206 (54%)	53 (44%)	107 (72%)	437 (80%)	158 (56%)	45 (52%)	0 (6%)
Hospitals	1,752 (99%)	9 (9%)	31 (26%)	53 (76%)	405 (89%)	109 (65%)	54 (40%)	7 (7%)
Miscellaneous nonmanufacturing industries	1,747 (96%)	166 (26%)	58 (34%)	58 (58%)	495 (69%)	127 (49%)	108 (41%)	1 (6%)

*Includes research, engineering, government agencies, construction, etc.

By Roger Thompson

Health insurance costs are out of control for most firms regardless of size. In the four years from 1985 to 1989 health insurance premiums for firms participating in the Chamber of Commerce benefits survey increased by more than 56 percent, twice the increase in medical care for the same period and nearly four times the rate of increase for all prices in the economy.

The average cost of medical and medically related benefits per employee in 1989 was $2,853, up from $2,538 in 1988, according to the latest benefits survey. This year's 12 percent increase comes on top of a 16 percent increase reported in 1988, bringing the two year increase to more than 30 percent. This indicates that employers' medical insurance costs are going up at about three times the rate of inflation and payroll costs and about twice as fast as the deflator for medical services.

Health insurance isn't as simple as it used to be. And the pace of change is accelerating, offering new hope for a truce in the business battle with exploding health-care costs.

You can be part of that change by putting at least some of the following 10 ideas to work for your company.

1. Increase Cost Sharing By Employees

This recommendation is at the top of every consultant's list. Research shows that insulating employees from the costs of care encourages unnecessary use of health services.

Thirty-five percent of the firms responding to the Chamber of Commerce survey said that they had increased employee contributions to these premiums. An equal number said they increased employee deductibles.

Insurance companies first attached $100 deductibles to major-medical plans in the early 1950s. But 40 percent of employers still set deductibles at $100 or less. A $100 deductible instituted in 1955 if it were adjusted for inflation to 1990 would be about $500.

Celtic Life Insurance Co., a small-business health insurer based in Chicago, calculates that raising a $100 deductible to $250 would cut premium costs for single coverage by about 11 percent. A $500 deductible would cut costs by about one-fourth. A $1,000 deductible would save about one-third.

2. Allow Employees To Pay For Health Premiums With Tax-Free Dollars

Set up a so-called flexible spending account, which allows your employees to pay their share of health-insurance premiums and unreimbursed health-care expenses with pretax dollars. A flexible spending account could save employees 20 cents to 35 cents on the dollar, because state and federal income taxes and Social Security taxes are not imposed.

Moreover, the company saves by reducing the employee's base salary on which it pays Social Security and other taxes.

Hire an outside payroll accounting firm to handle the paperwork. You can pay the service fee and still come out with a net savings. The monthly administration fee would run between $2 and $5 per employee depending on the size if firm.

3. Transfer High-Risk Employees To The State's High-Risk Pool

Insurance premiums soar whenever someone in a small-group plan becomes very ill with cancer or heart disease, for example. As an employer, you should explore the possibility of moving employees with serious health problems into a state high-risk pool and then negotiating a lower premium for the healthy members of your group.

Twenty-four states have high-risk pools for people whom insurance carriers don't want to cover, although some of these pools are not yet operational. Risk-pool insurance generally sells for 150 percent of the typical individual premium. The insurance is comparable to that offered by a standard major-medical health policy.

Rules governing coverage differ from state to state. For example, some states won't allow employers to move high-risk individuals into the pool; only the uninsured are admitted. Other states encourage it. Some state pools have waiting lists.

Call your state insurance commissioner's office for details if you live in one of the following states: California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Louisiana, Maine, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Carolina, Tennessee, Texas, Utah, Washington, Wisconsin, Wyoming.

4. Switch To An Open-Enrollment Blue Cross And Blue Shield Plan

Blue Cross and Blue Shield plans operate as de facto high-risk pools in a number of states by providing "open enrollment" periods during which any group can buy insurance. Among the 74 Blue Cross and Blue Shield organizations nationwide, 21 offer open enrollment.

Open-enrollment plans "are better than state risk pools because Blue Cross offers coverage at substantially less cost than the rates charged by state pools," says Greg Scandlen, director of states services research for the Blue Cross and Blue Shield Association in Washington, D.C.

Employers who buy open-enrollment plans are insulated from the premium spikes they can experience with other insurers once someone in the group becomes very ill. These plans use so-called community rating to calculate premium increases. All companies buying one of these policies are in the same risk pool, and all pay the same rates.

All the Blues once used community rating to set premium levels. But that began to change in the 1960s when commercial insurers started to lure away firms with low risks by offering them cheaper health insurance. The Blues increasingly found themselves writing policies for groups with above-average health claims. As a result, premiums went up. And most Blues today use the same health screening and rating practices used by commercial insurers.

Five of the open-enrollment plans limit applications for insurance to specific periods during the year. Some will take groups no smaller than 10 employees . For details, contact Blue Cross plans in Alabama, Maryland, Massachusetts, Michigan, the National Capital Area (Washington, D.C.), New Hampshire, New Jersey, New York (six different plans), North Carolina, Pennsylvania (four different plans), Rhode Island, Vermont, and Virginia.

5.Replace Your Traditional Health Plan With An HMO

Unlike traditional health insurance, HMOs cover all medical needs, including routine preventive care, for a flat monthly fee that typically is less expensive than traditional health insurance. Moreover, two types of HMOs, the staff and the group models, have proven to be more effective at controlling costs than any other form of health-care delivery. Staff models employ physicians directly and put them on salary. With group models, the HMO contracts with a multispecialty group practice and caps payments for services.

Look for an HMO that operates in accordance with voluntary federal standards, so-called federally qualified HMOs. These HMOs are barred from refusing health coverage based on medical screening. Their premium rate increases are tied to the experience of everyone in the HMO, which protects a company from sharp increases based on heavy claims from a few of its employees. There are 307 federally qualified HMOs covering more than three-fourths of all persons enrolled in HMOs nationwide.

The catch with an HMO is that those who are covered have to use the HMO's doctors and the hospitals that it designates. Those unwilling to surrender their freedom of choice can go for an "open-ended" HMO, a new hybrid that will allow the insured to see doctors outside the HMO if the covered person is willing to pay out-of-pocket deductibles and coinsurance. Enrollment in open-ended HMOs jumped 39 percent in 1989.

Because HMOs typically can't afford to market to small companies, start your search in the Yellow Pages.

6. If An HMO Is Out, Shop For a Traditional Plan With Managed Care or a PPO

Switching to a health plan with built-in restraints on the use of health services should cut your costs by 5 to 10 percent.

The costliest health insurance you can buy is a traditional indemnity plan. Under such a plan, employees choose their physicians. Insurers, acting as a passive pass-through mechanism, reimburse doctors and hospitals on a fee-for-service basis. They also increase employer premiums as necessary to keep pace with rising costs. Many experts predict that traditional indemnity health insurance will be replaced by managed-care indemnity plans by the mid-1990s. Managed-care plans attempt to hold down costs by placing controls on the use of medical services.

Most insurance carriers already offer a variety of managed-care features as additions to traditional indemnity plans. They include prior approval for elective hospital admissions, second opinions for surgery, utilization review, case management, and discharge planning.

A number of insurers also offer preferred-provider organizations (PPOs), which also may be organized by hospitals or sponsored by large employers. PPOs are groups of doctors who have agreed to discount their fees, usually by about 10 percent to 20 percent. By definition, PPOs build in managed-care features to hold down expenses. To encourage use of PPO doctors, employees pay only a small fee of $5 to $10 per office visit. Employees may use doctors outside the PPO, but out-of-pocket expenses rise sharply with the addition of deductibles and coinsurance.

7. Purchase Your Health Insurance Through A Business Group Or Coalition

Individual small employers have little or no leverage in buying health insurance, but when a number of small employers band together to purchase insurance, they can wield real clout in the market.

The Small Business Service Bureau, an association based in Worcester, Mass., arranges group insurance through HMOs and Blue Cross organizations for 35,000 small businesses most with fewer than 10 employees across the country. "We negotiate the terms of the benefits, and we have trained staff members who explain the options to small-business owners," says Lisa M. Carroll, health-services director.

Fred Rohm, president of the New Castle County Chamber of Commerce, in Newark, Del., manages a group-purchasing arrangement for small employers in his area. Premiums for 350 small employers covered by the chamber's indemnity plan went up only 1 percent this year.

The chamber in San Francisco launched a group-purchasing arrangement in March. It lets small employers in the Bay Area choose an indemnity plan, an HMO, or a PPO. Ask your local chamber or business association about group purchasing.

But use caution in signing up. Some insurance agents and many business trade associations offer group-purchasing plans known as multiple employer trusts (METs). "METs were everybody's answer to the problem of rising costs several years ago," says David Helms, president of the Alpha Center, a health policy and planning center in Washington, D.C. But METs in general have not lived up to their cost-cutting expectations, primarily because insurers lure away low-risk groups with rock-bottom rates, says Helms. This leaves the MET with higher-risk groups, which erodes its ability to negotiate low rates. Make sure the MET you choose is backed by an insurance company. Self-insured METS, those not backed by an insurer, have experienced high failure rates.

8. Purchase One Of The No-Frills Insurance Plans Now Available In Five States

Virginia, Missouri, Florida, Illinois, and Washington this year exempted small firms from regulations requiring them to provide certain types of health coverage. Typical mandates cover chiropractors, well-baby care, dental checkups, and treatment for alcohol and drug abuse. Some states require coverage for more exotic procedures, such as in vitro fertilization and acupuncture. By exempting small firms from such mandates, insurers may offer no-frills plans with premiums costing 20 to 40 percent less.

To prevent employers from canceling existing insurance, some states restrict the new, lower-cost plans to companies that have been without insurance for at least a year. Call your state insurance commissioner for details. More states are expected to remove mandates for small companies next year.

9. Determine If You Are Eligible For One Of The Low-Cost Pilot Projects Operating In 10 States

Pilot projects funded by the Robert Wood Johnson Foundation of Princeton, N.J., have helped nearly 2,000 small businesses in 10 states purchase health insurance at savings of 30 percent to 40 percent. The projects were designed to attract small, uninsured companies. Although these projects typically exclude firms that have offered group insurance within the past year, there are two notable exceptions in Florida and Colorado.

The Florida Small Business Health Access Corp. in Tampa accepts firms that have gone uninsured for only six months. The corporation currently provides health services to 560 small businesses covering 2,855 individuals. It uses state funds to subsidize marketing and administration. That lowers the cost of premiums employers pay to enroll their workers in a local HMO. A 35-year-old adult male pays $75.52 a month for the standard option plan; family coverage is $198.95.

Eighty percent of the companies enrolled have three or fewer employees, says Ree Sailors, the corporation's director. The legislature more than doubled the plan's subsidy this year to $4.7 million, permitting it to expand into 11 rural counties by next June.

In Denver, the Shared Cost Option for Private Employers (SCOPE) accepts small companies seeking to switch to a lower-cost health plan, as well as those currently uninsured. SCOPE, in operation less than a year, is providing health insurance to 471 companies covering 4,296 individuals.

SCOPE's health plan is the only project funded by the Robert Wood Johnson Foundation that operates without a government subsidy. It cuts premium costs by requiring relatively high deductibles and coinsurance (the percentage of costs not covered by insurance) and by relying on a select group of doctors and hospitals. Routine visits to a doctor's office require a $15 payment. Hospital admissions require an individual to pay a $250 deductible plus half of the first $5,000 in charges. But the plan also covers a wide array of preventive care at no charge.

The high cost-sharing with employees allows U.S. Life Insurance Co., the Neptune, N.J., insurer offering the plan, to keep rates low. A single 35-year-old male pays $54.94 a month; family coverage is $148.47. "In the first five weeks [of the plan], 8,000 businesses called for information," says Judith Glazner, SCOPE's director.

Other Robert Wood Johnson Foundation health-care pilot projects are those operating statewide in Michigan, Tennessee, Utah, Washington, and Wisconsin as well as those in Tucson, Ariz.; Brunswick, Maine; and San Francisco.

10. Seek Out New, Low-Cost Plans Offered By Some Insurers

The low-cost health-insurance plan offered by U.S. Life Insurance through the SCOPE program in Denver already has inspired similar plans, says David Dunn, a senior vice president of U.S. Life. "Just because of SCOPE, most of the carriers in Denver have tried to design similar products to appeal to the same market," says Dunn.

He has encouraged other insurers to copy the plan and offer it elsewhere. A number have shown some interest in doing so.

Blue Cross and Blue Shield organizations also have launched a number of low-cost plans designed for small companies and the uninsured. Blue Cross of Tennessee offers a comprehensive, nongroup program called Impact, for employers with four or fewer workers. Premiums for individuals start as low as $28.13 a month.

Blue Cross and Blue Shield of Oregon offers a PPO for small groups. Premiums are about one-third less than those of regular Blue Cross plans.

There are, of course, other ways to cut health-care costs. The additional options that follow are common among midsized and larger companies yet are within the reach of many small firms:

- Start a wellness program that promotes healthful behavior. By some estimates, about one-half of all health problems are related to lifestyle choices and neglecting to get proper exercise. Fifty-nine percent of the firms in this year's benefits survey reported they had wellness programs, and more than three-fourths of those firms felt that these programs were an effective way of reducing health care costs.

- Explore the feasibility of using a mail-order prescription drug program if you have employees who need large quantities of high-cost maintenance drugs. Mail-order pharmacies do a high-volume business and offer unit prices based on that volume. They are often more aggressive in providing lower-cost generic drugs, which can be a cost saving in itself when appropriate.

- Eliminate mental-health and drug-dependency care from your health plan, and contract for this coverage separately, using a quality managed-care company that specializes in these services. This strategy can save you 10 to 40 percent of your health-care costs. Mental-health and drug-dependency care are the fastest growing segments of medical plans today. Experts argue that much of the treatment now provided is inadequate or unnecessary.

- Offer a cafeteria-style benefits plan. Cafeteria plans allow employees to tailor their benefits to their individual needs, and they also enable employer s to establish limits on company contributions.

NON-CASH PAYMENTS

You may pay your employees in cash or other property, such as meals, lodging, inventory items, capital assets, assets used in your business, and shares of stock in your company.

You may provide other forms of compensation to your employees in an indirect way, such as insurance, hospitalization, and medical care. These forms of pay are usually called fringe benefits. You may deduct them as business expenses if they meet the requirements discussed in this publication and, with all other forms of pay add up to a reasonable total.

EXCLUSION OF FRINGE BENEFITS

You can exclude certain fringe benefits that you provide an employee from the employee's gross income. If the fringe benefits are excludable from income, the benefits are also not subject to federal income tax withholding, social security taxes (FICA), or federal unemployment tax (FUTA). The fringe benefits that are excludable from gross income include:

(1) A no-additional-cost service. If you provide an employee a service that is the same service you offer to customers in the ordinary course of the line of business in which the employee works, and certain nondiscrimination rules are met, this service is considered a no-additional-cost service. You do not include the cost in the employee's income. To determine additional cost include lost revenue, but do not reduce the cost you incur by any amount paid by the employees for this service.

(2) A qualified employee discount. Gross income does not include the value of a qualified employee discount. A qualified employee discount is a price reduction that you provide employees on certain property or services that you offer to customers in the ordinary course of the line of business in which the employees perform services.

(3) Working condition fringe. You can exclude from your employee's gross income (as working condition fringe benefits) the value of property or services you provide if the employee would be able to deduct them as trade, business, or depreciation expenses if he or she has paid for them.

(4) A de minimis (Minimal) fringe. A de minimis fringe is any property or service you provide to an employee that has so small a value (taking into account how frequently you provide similar fringe benefits to your employees) that accounting for it would be unreasonable or administratively impracticable. Cash, no matter how small an amount, is never excludable as a de minimis fringe.

Nondiscrimination rules. Highly compensated employees cannot exclude from their gross income a no-additional-cost service, a qualified employee discount, or a meal provided at an employer-operated eating facility unless the benefit is available on the same terms to:

1) All your employees, or
2) A group of your employees defined under a reasonable classification you set up that does not discriminate in favor of highly compensated employees.

If any benefit is found to be discriminatory, your highly compensated employees must include the total cost of the benefit in income, not just the discriminatory part.

EMPLOYEE BENEFIT PLANS

An employee benefit plan can be set up either to provide retirement benefits or to defer compensation. If it is set up to provide retirement benefits, it can be funded entirely by the employer or by a mix of employer and employee contributions. Employee contributions can be mandatory or voluntary. A plan may also allow **elective deferrals,** in which employees agree to reduction of their current compensation in return for additional employer contributions to their benefit plan. In general, a sole proprietor or partner can be considered an employee for purposes of participating in a plan.

Compensation is deferred when contributions for services are accumulated to provide benefits at some future date. If a plan is set up to defer compensation, the employees do not necessarily need to wait until retirement to begin receiving benefits.

Among the various types of employee benefit plans are qualified employee benefit plans, nonexempt trusts and annuity plans, self-employed retirement plans, and simplified employee pensions. Also, in general, individuals who work can set up individual retirement arrangements (IRAs).

Employer contributions capitalized. You cannot deduct currently any expenses (including employer contributions to an employee benefit plan) that you are required to capitalize (include in the basis of certain property or in inventory costs). For information get Publication 538, *Accounting Periods and Methods.*

QUALIFIED EMPLOYEE BENEFIT PLANS

A qualified employee benefit plan is a written plan that you, as an employer, establish for the exclusive benefit of your employees and their beneficiaries. Contributions to these plans may be made by you, by your employees, or by both. You can deduct your contributions to the plan when you make them (except for any amount capitalized). Your employees generally are not taxed on your contributions to the plan or increases in the plan's assets until they are distributed to them. However, certain loans made from qualified employer plans are treated as distributions to employees or beneficiaries who receive the loans, and may result in taxable income to them.

Qualification rules. To be a qualified plan, the plan must meet many requirements. Among these requirements are rules concerning who must be covered by the plan, how much of an employee's interest in the plan are to be invested, and how contributions to the plan and benefits under the plan are to be determined. Most qualified plans must operate through an exempt trust. For more information on these requirements, get Publication 560, *Self-Employed Retirement Plans.*

Kinds of plans. There are two basic types of qualified employee benefit plans: defined contribution plans and defined benefit plans.

Defined contribution plans. Defined contribution plans are plans that provide for a separate account for each person covered by the plan. Benefits are based only on amounts contributed to or allocated to each account.

There are three types of defined contribution plans: profit-sharing plans, stock bonus plans and money purchase pension plans.

Profit-sharing plan. A profit-sharing plan is a plan that lets your employees or their beneficiaries share in the profits of your

business. The plan must have a definite formula for allocating the contribution to the plan among the participating employees and for distributing the funds in the plan.

Stock bonus plan. A stock bonus plan is similar to a profit-sharing plan. Benefits under the plan are payable in the form of the company's stock.

Money purchase pension plan. Under a money purchase pension plan, your contributions to the plan are based on a stated formula that is not subject to your discretion, such as 10% of each participating employee's compensation. Your contributions to the plan are not based on your profits.

Defined benefit plans. Defined benefit plans are any plans that are not defined contribution plans. In general, a qualified defined benefit plan must provide for set benefit amounts. Your contributions to the plan are not based on your profits.

Setting up a plan. Many plans follow a standard form of plan (master or prototype) approved by the IRS. Instead of adopting a standard form of plan, employers can set up their own original plan (although advance IRS approval is not required for an original plan, employers can apply for it.)

Plan approval. The IRS will issue a determination or opinion letter regarding a plan's qualification. The determination or opinion of the IRS will be based on how the plan is written, not on how it operates. It is not necessary for you to request such a letter to get all the tax benefits of a plan. The IRS charges a fee for determination, opinion and ruling letters. See Publication 1380, *User Fees*, for a list of fees charged. (The fee requirement is scheduled to end for requests made after September 29, 1990.)

For more information on requesting determination and opinion letters, see Publication 1048, *Filing Requirements for Employee Benefit Plans*.

Master and prototype plans. It may be more convenient for you to adopt an already existing master or prototype retirement plan than to set up your own original plan. Master and prototype plans may be sponsored only by trade or professional organizations, banks, insurance companies, or mutual funds. The sponsoring organization usually will have applied for, and received, an opinion letter on the plan from the IRS National Office. This does not mean that your plan is automatically qualified. It must still meet all of the qualification requirements stated in the tax laws.

BONUSES AND AWARDS

Bonuses. Bonuses you pay to employees are allowable deductions if they are intended as additional pay for services, not as gifts, and are paid for services actually performed. When you add bonuses to the regular salaries and other pay, the total must be reasonable for the services performed. You can pay the bonuses in cash, in property, or in a combination of both.

Gifts. If, in order to promote employee goodwill, you distribute turkeys, hams or other merchandise of nominal value at holidays to your employees, the value of these items is not salary or wages. You can deduct the cost of these items as a business expense.

You can deduct the cost of gifts you give to your employees, but there is a $25 annual limit on the deduction for gifts to any one individual. Also, you must keep adequate records or sufficient evidence to prove your statement of the gifts you make during the tax year.

If you distribute cash, gifts certificates, or similar items of readily convertible cash value, the value of such items is considered additional wages or salaries, regardless of the amount.

For information about gifts and record-keeping requirements, see Publications 463, *Travel, Entertainment, and Gift Expenses*.

Employee achievement awards. You can deduct (subject to certain limits) the cost of an employee achievement award. An employee achievement award is tangible personal property that is:

1) Given for length of service or safety
2) Awarded as part of a meaningful presentation, and
3) Not disguised compensation

An award can be either a "qualified" or "non-qualified" plan award. A qualified plan award must be given as part of an established written plan that does not discriminate in favor of highly compensated employees, defined later under *Cafeteria Plans*. An award will not be considered a qualified plan award if the average cost of all employee achievement awards you give during the tax year (that would be qualified plan awards except for this limitation) exceeds $400. To determine this average cost, do not take into account awards of very small value.

Deductible nonqualified plan awards made to any one employee during the tax year cannot exceed $400. Deductible awards including both qualified and nonqualified plan awards made to any one employee during the tax year cannot exceed $1,600.

If the award costs more than the amount you can deduct, included in your employee's income the greater of:

1) The portion of the cost of the award that you cannot deduct up to the award's fair market value, or
2) The amount by which the fair market value of the award is more than the amount you are allowed to deduct.

Length-of service awards. An award will not qualify as a length-of-service award if it is received during your employee's first 5 years of employment, or if your employee received a length-of-service award (other than one of very small value) during that year or in any of the prior 4 years.

Safety achievement awards. An award will not qualify as a safety achievement award if it is:

1) Awarded to a manager, administrator, clerical employee, or other professional employee, or
2) Given to more than 10% of your employees during the year, other than those listed in (1).

LOANS

Loans or advances you make to an employee that you do not expect the employee to repay generally are deductible if they are for personal services actually performed, the total is reasonable when they are added to the employee's other compensation, and they meet all the other requirements for deductibility, discussed earlier.

Below-market interest rate loans. On certain loans you make to an employee or stockholder, you may be considered to have received interest income and to have paid compensation or dividends equal to that interest.

VACATION PAY

Vacation pay is any amount you pay or will pay to your employee while the employee is on vacation. Vacation pay also includes amounts you pay an employee when the employee chooses not to take a vacation. Vacation pay does not include amounts for sick pay or holiday pay.

Cash basis taxpayers. If you are a cash basis taxpayer, you deduct vacation pay when you pay your employee.

Accrual basis taxpayers. You can deduct vacation pay earned by your employees in the year earned only if you pay it.

1) By the close of your tax year, or
2) If the amount is vested, within 2 1/2 months after the close of the year.

If you pay it later than this, you deduct it in the year actually paid.

GROUP TERM LIFE INSURANCE FOR EMPLOYEES

You can deduct group term life insurance premiums paid or incurred by you on policies covering the lives of your officers and employees if you are not directly or indirectly the beneficiary under the contract.

Cost taxable to employee. An employee, generally, must include in income the cost of group term life insurance coverage on his or her life that is more than the cost of $50,000 of this insurance plus any amount paid by the employee toward its purchase. The $50,000 relates to insurance protection the employee receives during any part of the tax year. However, certain key employees may also have to include in income the cost of the first $50,000 of this insurance. See *Discriminatory group term life insurance plans* later.

If the insurance includes permanent benefits, the cost of the permanent benefits minus the amount paid by the employee for the permanent benefits is included in the employee's income. Permanent benefits are economic values extending beyond one policy year, such as paid-up insurance or cash surrender value, that are provided under a life insurance policy.

The cost of group term life insurance on the life of an employee's spouse or children that is paid by the employer is not included in the employee's income if the cost is incidental. The cost is considered incidental if the amount of the insurance payable on the death of a spouse or child is not more than $2,000.

Group term life insurance is life insurance that:

1) Provides a general death benefit that is excludable from gross income,
2) Is provided to a group of employees,
3) Is provided under a policy carried by the employer, and
4) Provided an amount of insurance to each employee based on formula using factors such as age, years of service, compensation or position that prevents individual selection of insurance coverage.

Life insurance that includes permanent benefits is not group term life insurance unless the following conditions are met.

1) The policy or the employer must specify in writing which part of the death benefit provided for each employee is group term life insurance, and
2) The part of the death benefit that is specified as group term life insurance for any policy year cannot be less than the difference between the total death benefit provided by the policy and the employee's deemed death benefit at the end of the policy year.

Travel insurance or accident and health policies that include death benefits but do not provide general death benefits are not group term life insurance.

Groups. Generally, life insurance qualifies for treatment as group term life insurance only if it is provided to at least 10 full time employees at some time during the calendar year. However, your insurance can also qualify as group term if you meet all of the following conditions:

1) You provide the insurance to all of your full-time employees or, if evidence of insurability affects eligibility, to all full-time employees who provide evidence of insurability satisfactory to the insurer.
2) You figure the insurance coverage based on a uniform percentage of pay or based on the insurer's coverage brackets.
3) Evidence of insurability is limited to a medical questionnaire completed by the employee that does not require a physical exam.

For purposes of these conditions you do not have to provide insurance to any of the following:

1) Employees 65 or older,
2) Employees working 20 hours or less a week or 5 months or less in any calendar year, and
3) Employees who have not been employed for the waiting period specified in the policy. The waiting period cannot be more than 6 months.

Insurance is considered to be provided to employee who choose not to receive the insurance unless they are required to contribute to the cost of benefits other than the group term life insurance. For example, if an employee could receive group term life insurance by contributing to the cost, that employee is counted in determining whether the group term life insurance is provided to 10 or more employees even if that employee chooses not to receive the insurance.

However, if an employee must contribute to the cost of permanent benefits to get group term life insurance, that employee is not counted in determining whether the group term life insurance is provided to 10 or more employees unless the group term life insurance is actually provided to that employee.

Employee. An "employee" is:

1) A person who performs services for an employer and whose legal relationship to the employer is that of an employee.
2) A full-time life insurance salesperson, or
3) A person who formerly was an employee

However, certain former employees are exempt from including the cost of this insurance that is more than $50,000 in their income. For more information, see Publication 525, *Taxable and Nontaxable Income*.

Permanent Benefits. The cost of permanent benefits may differ from the cost stated in the policy. Dividends under a group term life insurance policy that includes permanent benefits also may be included in the employee's income.

Discriminatory Group Term Life Insurance Plans. A key employee (defined later) generally cannot exclude from income any part of the employer-provided cost of group term life insurance on his or her life if the plan discriminates in favor of key employees. If the plan is non-discriminatory or a church plan, key employees are treated like other employees of the employer and may exclude from income the cost of up to $40,000 of this insurance.

The cost that must be included in a key employee's income, if the plan is discriminatory, is the greater of:

1) The actual cost of the coverage or
2) The cost of the coverage using the 5-year interval table, shown earlier.

A discriminatory group term life insurance plan is any plan of an employer that provides group term life insurance that favors key employees as to: (1) eligibility to participate, or (2) the type and amount of the life insurance benefits provided under the plan. The participation and benefits tests are to be applied separately to active and to former employees.

Withholding. The cost of group term life insurance that is income to the employee is not subject to income tax withholding. However, the cost is subject to social security taxes.

Form W-2. Employers must report on Form-W-2 the cost that is includible in the employee's income. For information of Form W-2, see Publication 15 (Circular E), Employer's Tax Guide.

EDUCATION EXPENSES

If you pay the tuition expenses of your employees who are enrolled in courses that are not required for their job or are not otherwise job related, you must treat these payments as wages. The payments are includible in income and are subject to FICA, FUTA and income tax withholding.

DEPENDENT CARE ASSISTANCE PROGRAMS

If you pay for or provide child care or disabled dependent care services for your employees to allow them to work, you can exclude from their gross income, up to a maximum of $5,000 ($2,500 if your employee is married and filing a separate return), the amounts you spend for these services. In addition, the cost of providing the services is not subject to FICA, FUTA or federal income tax withholding.

The exclusion and withholding rules apply to highly compensated employees, defined later under Cafeteria Plans, only if the services are provided under a plan that:

1) Is a separate written plan for the exclusive benefit of your employees to provide them with dependent care assistance,
2) Does not discriminate in favor of highly compensated employees or their dependents,
3) Does not pay more than 25% of its benefits during the year to shareholders or owners (or their spouse or dependents). A shareholder or owner is someone who owns (on any day of the year) more than 5% of the stock or of the capital or profits interest of the employer.
4) Provides reasonable notification of the availability and terms of the program to eligible employees.
5) Furnishes each employee by January 31 a written statement showing the amount you spent to provide dependent care assistance for the employee during the previous calendar year.

MOVING EXPENSES

Payments to an employee as an allowance or reimbursement for the cost of moving to a new job site must be included in the employee's income, but are not considered wages for purposes of income tax withholding, FICA, or FUTA if it is reasonable to believe at the time payments are made that the employee will be allowed a deduction for moving expenses in computing income tax.

However, payments to an employee for nondeductible moving expenses are wages for federal income tax withholding, FICA and FUTA. For example, if you reimburse an employee for a loss on the sale of a residence, the amount is considered wages and is subject to income tax withholding, FICA and FUTA. The reimbursements to an employee are considered payment for services and you may deduct them if the amounts meet the reasonable and necessary tests discussed earlier.

You must give your employees a statement describing the payments made to or on behalf of your employees for moving expenses. The statement must contain sufficient information to allow your employees to properly figure their allowable moving expenses deduction. For example, reimbursement for meals should be separately stated since your employees will be limited to a deduction of 80% for the cost of meals.

You may use Form 4782, *Employee Moving Expense Information*. You must give this information to your employees by January 31 of the year following the year in which you make the payments.

Any reimbursement for moving expenses also must be shown on the employee's Form W-2, *Wage and Tax Statement*.

For more information on moving expenses, see Publication 521, *Moving Expenses*.

SUPPLEMENTAL UNEMPLOYMENT BENEFITS

Cost paid to a welfare benefit fund which provides supplemental unemployment benefits for employees are deductible if the costs are ordinary and necessary business expenses. The deduction cannot be more than the fund's qualified cost for the tax year.

Qualified cost. The qualified cost is the sum of:

1) The qualified direct cost for the year plus, plus
2) Any addition to a qualified asset account for the year. The qualified cost is reduced by any after-tax income of the fund for the year.

Qualified direct cost. Qualified direct cost is the total amount (including administrative expenses) which would have been allowable as a deduction if:

1) You provided the benefits directly, and
2) You used the cash method of accounting.

Qualified asset account. A qualified asset account is any account consisting of assets set aside to provide supplemental unemployment benefits. No addition to a qualified asset account can be deducted to the extent the addition will cause the amount in the account to be more than the **account limit**. The account limit is the amount estimated to be actually necessary to fund:

1) Claims incurred but unpaid, and
2) Administrative costs for such claims.

CAFETERIA PLANS

Cafeteria plans are written plans that allow your employees to choose among two or more benefits consisting of cash and qualified benefits.

A plan that provides for deferred compensation generally is not a cafeteria plan. However, certain profit sharing, stock bonus, and rural cooperative plans and certain plans maintained by educational institutions can be cafeteria plans even if they provide for deferred compensation.

Generally, the fact that cash or certain taxable benefits are available under the plan does not cause an employee to be treated as having received the cash or taxable benefit.

Qualified benefits. A cafeteria plan may offer any qualified benefit other than scholarships and fellowship grants, employer-provided transportation between home and work and generally, the fringe benefits discussed under *Exclusion of Fringe Benefits*. Qualified benefits include any other benefits that your employees are allowed to exclude from their income because of specific provisions of the law, the cost of group term life insurance

that is includible in gross income only because the amount of the insurance exceeds $50,000 and employer-provided dependent group term life insurance treated as cash.

Nondiscrimination rules. If in any plan year, your cafeteria plan discriminates in favor of highly compensated individuals as to eligibility to participate in the plan or in favor of highly compensated participants as to contributions or benefits, highly compensated participants are taxed on the amount of the taxable benefits that could have been elected.

Highly compensated individual or participant. An individual or participant is highly compensated if he or she is:

1) An officer,
2) A shareholder owing more than 5% of the voting power or value of all classes of the employer's stock,
3) Highly compensated, or
4) A spouse or dependent of someone described in (1), (2), or (3).

Special rules. A plan maintained under a collective bargaining agreement will not be treated as discriminatory.

A plan which provides health benefits can not be treated as discriminatory if:

1) Contributions on behalf of each participant either equal 100% of the health benefit coverage cost of the majority of similarly situated highly compensated participants or are at least 75% of the health benefit coverage cost of the similarly situated participant having the highest cost health benefit coverage, and
2) Contributions in excess of those described in (1) bear a uniform relationship to compensation.

Reporting requirements. Every employer that maintains a cafeteria plan is required to keep complete record and file a return for that year showing:

1) The number of employees of the employer,
2) The number of employees eligible to participate in the plan,
3) The number of employees participating in the plan,
4) The total cost of the plan for the tax year,
5) The name, address and TIN of the employer,
6) The type of business in which the employer is engaged and,
7) The number of highly compensated employees who are employed, the number who are eligible to participate in the plan, and the number who do participate in the plan.

Failure to file this return may result in penalty of $25 for each day the return has not been filed, not to exceed $15,000.

Generally, benefits under a cafeteria plan are not subject to FICA or FUTA withholding.

FRINGE BENEFITS

You must include in your employee's pay the value of fringe benefits you provide for their performing services for you unless the benefits are specifically excluded from income by law or are paid for by the person. The value of these include fringe benefits that you provide is generally subject to social security tax (FICA), federal unemployment tax (FUTA) and federal income tax withholding. A person who agrees not to perform services (such as under a covenant not to compete) is treated as performing services for these rules.

Fringe benefits include the following employer provided items:

1) An automobile,
2) A flight on an employer-provided aircraft
3) A free or discounted commercial airline flight,
4) A vacation,
5) A discount on property or services,
6) A membership in a country club or other social club and
7) A ticket to an entertainment or sporting event.

The recipient of a fringe benefit is the person performing the services for which the fringe benefit is provided, even if that person does not actually receive the benefit.

The recipient does not have to be your employee. For example, the recipient may be your partner, a director or an independent contractor. In the following discussions, "employee" includes any recipient of a fringe benefit unless otherwise specified.

You are the provider of a fringe benefit if you are the person for whom the services are performed, even if you do not actually provide the benefit. You do not have to be the recipients employer. You may be, for example, a client or customer of an independent contractor.

If you include the value of a non-cash fringe benefit in an employee's gross income, you cannot deduct the value as compensation, but you can deduct the cost you incurred to provide the benefit. You may be able to take a depreciation deduction. (Publication 534, *Depreciation*, has more information) If the non-cash fringe benefit is property leased by you, you may be able to deduct the ordinary and necessary business expenses of leasing property.

(The above materials do not reflect any changes in the tax law or regulations enacted after June 30, 1990)

CONFIDENTIAL

EMPLOYEE BENEFITS SURVEY—1989

For Office Coding— Leave Blank

____ ____ ____ ____ A	1
____ ____ ____ ____ ____ ____	6
____ ____ ____ ____ ____ ____	
____ ____ ____ ____ ____ ____	
____ ____ ____	27
____ ____	30
____	32
____	33

INSTRUCTIONS

1. **It is confidential**—Data from individual firms will not be disclosed. Data will be published only in the form of totals for groups of companies. Only the researchers will see your questionnaire(s).

2. **Company coverage**—If you have several divisions or plants, data covering any ***typical*** group of employees will be satisfactory.

3. **Employees covered in survey**—We are surveying ***both*** hourly-paid and salaried employees, if this break-out is available. If a separate breakout is not available for hourly and salaried employees please use the survey on the following page for reporting the combined totals for all employees.

   If the break-out is available, please fill out separate surveys for hourly-paid and salaried employees. The hourly-paid employee survey begins on this page and the salaried employee survey begins on page 5.

HOURLY-PAID EMPLOYEE SURVEY AND/OR COMBINED TOTAL OF SALARIED AND HOURLY PAID EMPLOYEES IF NOT AVAILABLE SEPARATELY

We will continue to survey hourly-paid employees under the guidelines used in the past for purposes of historical comparison. Therefore, when filling out the questionnaire surveying hourly-paid workers, ***include data for workers whose pay varies with the number of hours worked.*** In addition, include data for ***salaried*** employees if their pay varies if they work overtime or less than full-time; but do not include them if they receive their regular pay regardless of hours worked.

Organizations having difficulty making this employee separation between hourly-paid and salaried workers (e.g., banks, hospitals, financial institutions) should include all nonsupervisory employees and all working supervisors in this hourly-paid employee survey, ***regardless of method of payment.*** However, please ***exclude*** all officers of company.

4. **Approximate or incomplete data**—If you are unable to give exact data for the various items, please give estimates—***your best estimate is much better than a zero***. If you cannot break down the data on payments exactly as they are outlined, please give the data that is available. Also, please indicate the items or benefits for which payments were made, but for which you cannot give separate figures.

Show actual data or best estimate for employees covered in survey.

A. GROSS PAYROLL FOR EMPLOYEES IN SURVEY:

- For this item, report ***actual*** wages. Report pay prior to employee deductions for all income and payroll taxes, pay deferral programs, such as 401k plans, and other insurance and deductions. Report on line A-1 the straight-time wages for all hours, including pay for time ***not*** worked, plus payments in lieu of vacations and holidays.
- Report premium and bonus payments on lines other than line A-1. Thus, if your firm paid $15,000 in overtime pay and the overtime rate is time and one-half, put $10,000 on line A-1, and $5,000 in premium pay on line A-2.

Include BONUS AND PREMIUM PAY ONLY on lines 2-6. Report straight-time pay on line 1.

	Total amount for 1988	
1. Straight-time for employees in survey	$_____	34
2. Overtime premium pay	$_____	46
3. Holiday premium pay	$_____	58
4. Shift differential	$_____	70
5. Earned incentive or production bonus	$_____	82
6. Other (Specify: _____)	$_____	94
7. TOTAL GROSS PAYROLL	$_____	106

B. LEGALLY-REQUIRED PAYMENTS (***employer's*** share only):

1. Old-Age, Survivors, Disability, and Health Insurance (employer FICA taxes) and Railroad Retirement Tax	$_____	118
2. Unemployment Compensation (federal and state taxes)	$_____	130
3. Workers' Compensation (estimate cost if self-insured)	$_____	142
4. State sickness benefits insurance	$_____	154
5. Other (Specify: _____)	$_____	166
6. TOTAL	$_____	178

C. RETIREMENT AND SAVINGS PLAN PAYMENTS (***employer's*** share only):

- ITEM C-4 (PENSION AND INSURANCE PREMIUMS)—For pension and insurance premiums, report ***net*** payments after deducting any dividends or credits returned to employer by insurer.

1. Defined benefit pension plan contributions (a defined benefit plan is one that is insured by the Pension Benefit Guaranty Corporation involving a promise to pay a fixed level of benefits on retirement)	$_____	190
2. Defined contribution plan payments (a defined contribution plan is one that provides for an individual account for each participant and for benefits based on the amount contributed to the participant's account)		
a. 401K or similar payments (employers share only)	$_____	202
b. Profit-sharing payments (employer contributions are based on current profits of the business, fluctuating with current profit levels)	$_____	214
c. Stock bonus and employee stock ownership plans (ESOP)	$_____	226
3. Money purchase plans	$_____	238
4. Pension plan premiums (net) under insurance and annuity contracts (insured and trusteed)	$_____	250
5. Costs of plan administration (please estimate the administrative costs paid separately or as part of contributions to the plan)	$_____	262
6. Other (Specify: _____)	$_____	274
7. TOTAL	$_____	286
8. Please report the number of employees participating in your company's retirement and savings plan programs	_____	298

D. LIFE INSURANCE AND DEATH BENEFITS (***employer's*** share only):

- Exclude premiums for life insurance purchased under a pension plan. Such premiums should be reported under item C-4.

1. Life insurance premiums (net)	$_____	304
2. Death benefits not covered by insurance	$_____	316
3. TOTAL	$_____	328

CONFIDENTIAL

E. MEDICAL AND MEDICALLY-RELATED BENEFIT PAYMENTS (***employer's*** share only):

1. Hospital, surgical, medical, and major medical insurance premiums (net) ..... $_____ 340
2. Self-insured hospital, surgical, medical, and major medical payments ..... $_____ 352
3. Short-term disability, sickness or accident insurance (company plan or insured plan) ..... $_____ 364
4. Long-term disability or wage continuation (insured, self-administered, or trust) ..... $_____ 376
5. ***Retiree*** (payments for retired employees) hospital, surgical, medical, and major medical insurance premiums (net) ..... $_____ 388
6. Self-insured ***retiree*** (payments for retired employees) hospital, surgical, medical, and major medical payments ..... $_____ 400
7. Dental insurance premiums ..... $_____ 412
8. Vision care and prescription drugs ..... $_____ 424
9. Physical and mental fitness programs ..... $_____ 436
10. Medically-related benefits for ***former*** workers and family members, such as the continuation of health benefit payments after termination of employment (do not include payments to retirees and/or for maternity leave) ..... $_____ 448
11. Other (Specify: _____) ..... $_____ 460
12. TOTAL ..... $_____ 472

F. PAID REST PERIODS, COFFEE BREAKS, LUNCH PERIODS, WASH-UP TIME, TRAVEL TIME, CLOTHES-CHANGE TIME, GET-READY TIME, ETC.

- This should be reported if time is paid for, whether or not there is a formal work rule providing for such time off. A simple rule of thumb is that if employees typically take two 10-minute rest periods per day, this would amount to approximately 4% of gross payroll; if two 15-minute breaks are taken, the figure would come to 6% of gross payroll (Item A-7). $_____ 484

G. PAYMENTS FOR TIME NOT WORKED:

1. Payments for or in lieu of vacations (for estimating purposes, each day of paid vacation = .00385 x straight-time pay) ..... $_____ 496
   If unable to estimate a dollar figure, please indicate the average number of days of vacation an employee receives a year. _____
2. Payments for or in lieu of holidays (for estimating purposes, each paid holiday = .00385 x straight-time pay) ..... $_____ 508
   If unable to estimate a dollar figure, please indicate the average number of paid holidays an employee receives a year. _____
3. Sick leave pay ..... $_____ 520
4. Parental leave (maternity and paternity leave payments) ..... $_____ 532
5. Payments required under guaranteed workweek or work year—only that part that represents payment for time not worked ..... $_____ 544
6. Payments for State or National guard duty; jury, witness, and voting pay allowances; payments for time lost due to death in family; or other personal reasons ..... $_____ 556
7. Other (Specify: _____) ..... $_____ 568
8. TOTAL ..... $_____ 580

H. MISCELLANEOUS BENEFIT PAYMENTS (***employer's*** share only):

1. Discounts on goods and services purchased from company by employees ..... $_____ 592
2. Employee meals furnished by company ..... $_____ 604
3. Child care: a. On-site child care ..... $_____ 616
   b. Third-party provided care ..... $_____ 628
4. Parking ..... $_____ 640
5. Employee education expenditures (tuition refunds, seminar attendance, etc.) ..... $_____ 652
6. Payments for legal counselling ..... $_____ 664
7. Payments to union stewards or officials for time spent in settling grievances or in negotiating agreements ..... $_____ 676
8. Christmas or other special bonuses (not tied to profits), service awards, suggestion awards, etc. ..... $_____ 700
9. Other (Specify: _____) ..... $_____ 712
10. TOTAL ..... $_____ 724

I. EMPLOYEE PAYROLL DEDUCTIONS (*employee's* share only):

- For this question, report deductions from ***employee*** pay. Employer contributions are reported in questions B-E.

1. Old-Age, Survivors, Disability, and Health Insurance (employee FICA taxes) and Railroad Retirement Taxes ..... $_____ 736
2. Retirement and Savings Plan payments (including 401K and similar programs) ..... $_____ 748
3. Life insurance premiums ..... $_____ 760
4. Medical and Medically-Related Benefits Payments ..... $_____ 772
5. Other (Specify: _____). Do not include deductions for income tax ..... $_____ 784
6. TOTAL ..... $_____ 796

J. EMPLOYEE HOURS

- These figures include hours worked or paid for (including time actually worked, ***plus*** holidays, vacation, sick leave, and other time paid for but not worked).

1. Total hours of a **typical full-time employee** during 1988: _____ (average number of hours per week per employee) × 52 = _____ (total hours during 1988 per employee) 808

2. Total hours of **all** employees in survey during 1988:
   - The total number of hours worked or paid for of all employees covered in the survey, corresponds to earnings given on line A-1.

_____ (total hrs. during 1988 per employee) × _____ (full-time equivalent employees included in your survey data for 1988) = _____ (total hours of all employees in 1988) 812

PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE (SIC Code) = _____

- If you do not know your SIC Code, please give a description of the major type of business and/or the principal lines or products manufactured or handled.

_____

_____

SUPPLEMENTAL QUESTIONS

For Office Coding—Leave Blank ____ ____ ____ ____ B1

Please answer the following questions:

1. Does your firm have a fixed benefit plan or a cafeteria plan (a cafeteria plan is one that allows employees to choose between benefits and/or benefit plans)? (Check appropriate box)
   - Fixed Benefit Plan ..... F ☐
   - Cafeteria Plan ..... C ☐ 6
2. What is the estimated percentage of part-time workers as the percentage of your total work-force (part-time workers are those who work less hours than the normal work week)? ..... _____ 7
3. If you provide benefits to part-time employees, which benefits do you provide?
   - All ..... Yes ☐ No ☐ 12
   - Health ..... Yes ☐ No ☐ 13
   - Retirement ..... Yes ☐ No ☐ 14
   - Vacations ..... Yes ☐ No ☐ 15
   - Bonuses ..... Yes ☐ No ☐ 16
   - Others (please specify: _____)
4. Please estimate the total annual cost for administering your benefit costs that are not included in the above cost data on employee benefits.
   a. Estimated annual internal costs of administering benefits programs not included in the above data on benefit costs ..... $_____ 17
   b. Estimated annual cost of outside consultants, attorneys and other persons consulted regarding the administration of benefits programs ..... $_____ 29
   c. Other (please specify) ..... $_____ 41
5. Does your organization provide for the following:
   a. Does your firm sponsor wellness programs, such as health fairs, blood pressure tests etc? ..... Yes ☐ No ☐ 53
   b. Do you believe these programs are an effective way of reducing health care costs? ..... Yes ☐ No ☐ 54
   c. Do you believe health promotion programs are an effective way of enhancing productivity and reducing absenteeism? ..... Yes ☐ No ☐ 55

Please list the name, title and phone number of the person who is responsible for filling out this questionnaire in case our researchers have any questions.

_____ _____ ( ) _____

Name Title Phone Number

CONFIDENTIAL

EMPLOYEE BENEFITS SURVEY—1989

SALARIED EMPLOYEE SURVEY (IF NOT INCLUDED IN SECTION 1)

If you are **not** filling in this section, please turn to page 8.

INSTRUCTIONS

1. **It is confidential**—Data from individual firms will not be disclosed. Data will be published only in the form of totals for groups of companies. Only the researchers will see your questionnaire(s).

2. **Company coverage**—If you have several divisions or plants, data covering any ***typical*** group of employees will be satisfactory.

3. The salaried employee benefits survey is limited to employees whose pay does ***not*** vary with the number of hours worked.

   If you had difficulty making the employee separation for the hourly-paid survey, and included non-supervisory and working supervisors ***regardless of method of payment*** in that survey, please do ***not*** fill out the salaried employee survey. Please turn to the last page of this survey and fill in information on industry and size of firm.

4. **Approximate or incomplete data**—If you are unable to give exact data for the various items, please give estimates—***your best estimate is much better than a zero***. If you cannot break down the data on payments exactly as they are outlined, please give the data that is available. Also, please indicate the items or benefits for which payments were made, but for which you cannot give separate figures.

Show actual data or best estimate for employees covered in survey.

A. GROSS PAYROLL FOR EMPLOYEES IN SURVEY:

- For this item, report ***actual*** salaries (***not*** take-home pay after deductions have been made). Report on line A-1 the salaries for all hours, including pay for time ***not*** worked, plus payments in lieu of vacations and holidays.

Total amount for 1988

1. Total salaries for employees in survey ..... $_____ 61

B. LEGALLY-REQUIRED PAYMENTS (***employer's*** share only):

1. Old-Age, Survivors, Disability, and Health Insurance (employer FICA taxes) and Railroad Retirement Tax ..... $_____ 73
2. Unemployment Compensation (federal and state taxes) ..... $_____ 85
3. Workers' Compensation (estimate cost if self-insured) ..... $_____ 97
4. State sickness benefits insurance ..... $_____ 109
5. Other (Specify: _____) ..... $_____ 121
6. TOTAL ..... $_____ 133

C. RETIREMENT AND SAVINGS PLAN PAYMENTS (***employer's*** share only):

- ITEM C-4 (PENSION AND INSURANCE PREMIUMS)—For pension and insurance premiums, report ***net*** payments after deducting any dividends or credits returned to employer by insurer.

1. Defined benefit pension plan contributions
   (a defined benefit plan is one that is insured by the Pension Benefit Guaranty Corporation involving a promise to pay a fixed level of benefits on retirement) ..... $_____ 145
2. Defined contribution plan payments
   (a defined contribution plan is one that provides for an individual account for each participant and for benefits based on the amount contributed to the participant's account)
   a. 401K or similar payments (employers share only) ..... $_____ 157
   b. Profit-sharing payments
   (employer contributions are based on current profits of the business, fluctuating with current profit levels) ..... $_____ 169
   c. Stock bonus and employee stock ownership plans (ESOP) ..... $_____ 181
3. Money purchase plans ..... $_____ 193
4. Pension plan premiums (net) under insurance and annuity contracts (insured and trusteed) ..... $_____ 205
5. Costs of plan administration
   (please estimate the administrative costs paid separately or as part of contributions to the plan) ..... $_____ 217
6. Other (Specify: _____) ..... $_____ 229
7. TOTAL ..... $_____ 241
8. Please report the number of employees participating in your company's retirement and savings plan programs ..... _____ 253

D. LIFE INSURANCE AND DEATH BENEFITS (***employer's*** share only):

- Exclude premiums for life insurance purchased under a pension plan. Such premiums should be reported under item C-4.

1. Life insurance premiums (net) ..... $_____ 259
2. Death benefits not covered by insurance ..... $_____ 271
3. TOTAL ..... $_____ 283

E. MEDICAL AND MEDICALLY-RELATED BENEFIT PAYMENTS (***employer's*** share only):

1. Hospital, surgical, medical, and major medical insurance premiums (net) ..... $_____ 295
2. Self-insured hospital, surgical, medical, and major medical payments ..... $_____ 307
3. Short-term disability, sickness or accident insurance (company plan or insured plan) ..... $_____ 319
4. Long-term disability or salary continuation (insured, self-administered, or trust) ..... $_____ 331
5. ***Retiree*** (payments for retired employees) hospital, surgical, medical, and major medical insurance premiums (net) ..... $_____ 343
6. Self-insured ***retiree*** (payments for retired employees) hospital, surgical, medical, and major medical payments ..... $_____ 355
7. Dental insurance premiums ..... $_____ 367
8. Vision care and prescription drugs ..... $_____ 379
9. Physical and mental fitness programs ..... $_____ 391

CONFIDENTIAL

10. Medically-related benefits for ***former*** workers and family members, such as the continuation of health benefit payments after termination of employment (do not include payments to retirees and/or for maternity leave) ..... $_____ 403
11. Other (Specify: _____) $_____ 415
12. TOTAL ..... $_____ 427

F. PAYMENTS FOR TIME NOT WORKED:

1. Payments for or in lieu of vacations (for estimating purposes, each week of paid vacation = .01925 x straight-time pay) ..... $_____ 439
   If unable to estimate a dollar figure, please indicate the average number of days of vacation an employee receives a year. _____.
2. Payments for or in lieu of holidays (for estimating purposes, each paid holiday = .00385 x straight-time pay) ..... $_____ 451
   If unable to estimate a dollar figure, please indicate the average number of paid holidays an employee receives a year. _____.
3. Sick leave pay ..... $_____ 463
4. Parental leave (maternity and paternity leave payments) ..... $_____ 475
5. Payments for State or National guard duty; jury, witness, and voting pay allowances; payments for time lost due to death in family; or other personal reasons ..... $_____ 487
6. Other (Specify: _____) ..... $_____ 499
7. TOTAL ..... $_____ 511

G. MISCELLANEOUS BENEFIT PAYMENTS (***employer's*** share only):

1. Discounts on goods and services purchased from company by employees ..... $_____ 523
2. Employee meals furnished by company ..... $_____ 535
3. Child care: a. On-site child care ..... $_____ 547
   b. Third-party provided care ..... $_____ 559
4. Parking ..... $_____ 571
5. Employee education expenditures (tuition refunds, seminar attendance, etc.) ..... $_____ 583
6. Payments for legal counselling ..... $_____ 595
7. Christmas or other special bonuses (not tied to profits), service awards, suggestion awards, etc. ..... $_____ 607
8. Other (Specify: _____) ..... $_____ 619
9. TOTAL ..... $_____ 631

H. EMPLOYEE PAYROLL DEDUCTIONS (***employee's*** share only):

- For this question, report deductions from ***employee*** pay. Employer contributions are reported in questions B-E.

1. Old-Age, Survivors, Disability, and Health Insurance (employee FICA taxes) and Railroad Retirement Taxes ..... $_____ 643
2. Retirement and Savings Plan payments ..... $_____ 655
3. Life insurance premiums ..... $_____ 667
4. Medical and Medically-Related Benefits Payments ..... $_____ 679
5. Other (Specify: _____). Do not include deductions for income tax. ..... $_____ 691
6. TOTAL ..... $_____ 703

I. EMPLOYEE HOURS

- These figures include hours worked or paid for (including time actually worked, ***plus*** holidays, vacation, sick leave, and other time paid for but not worked).

1. Total hours of a **typical full-time employee** during 1988:

   _____ (average number of hours per week per employee) × 52 = _____ (total hours during 1988 per employee) 715

2. Total hours of **all** employees in survey during 1988:

   _____ (total hrs. during 1988 per employee) × _____ (full-time equivalent employees included in your survey data for 1988) = _____ (total hours of all employees in 1988) 719

SUPPLEMENTAL QUESTIONS

Please answer the following questions:

1. Does your firm have a fixed benefit plan or a cafeteria plan (a cafeteria plan is one that allows employees to choose between benefits and/or benefit plans)? (Check appropriate box)

   Fixed Benefit Plan ..... F ☐
   Cafeteria Plan ..... C ☐ **731**

2. The following questions pertain to cost-containment measures your company may have taken regarding medical care coverage.

   a. Has your firm either increased the deductible or instituted a deductible in your medical plan in the last two years? ..... Yes ☐ No ☐ **768**

   b. Has your firm increased the percentage of the health insurance premium that employees pay? ..... Yes ☐ No ☐ **769**

   c. Increased the amount of home health care coverage in your basic health insurance policy? ..... Yes ☐ No ☐ **770**

Please list the name, title and phone number of the person who is responsible for filling out this questionnaire in case our researchers have any questions.

Name _____ Title _____ ( ) Phone Number _____

Whether you completed Section 1 only or Sections 1 and 2, please fill in the type of industry and size of company below.

Industry Code

Please circle the code number which corresponds to the type of business your company conducts:

Code	Category
Manufacturing firms	
101	Food, beverages, and tobacco
102	Textile products and apparel
103	Pulp, paper, lumber and furniture
104	Printing and publishing
105	Chemicals and allied products
106	Petroleum industry
107	Rubber, leather, and plastic products
108	Stone, clay and glass products
109	Primary metal industries
110	Fabricated metal products (excluding machinery and transportation equipment)
111	Machinery (excluding electrical)
113	Electrical machinery, equipment, and supplies
114	Transportation equipment
115	Instruments and miscellaneous manufacturing industries
Non manufacturing firms	
201	Public utilities (electric, gas, water, telephone, etc.)
202	Department stores
203	Trade (wholesale and other retail)
204	Banks, finance companies, and trust companies
205	Insurance companies
206	Miscellaneous nonmanufacturing industries
207	Hospitals
	Type of business _____.

Size Code

Please circle the code number which corresponds to the number of people employed by your company.

Code	Number of Employees
0	1-9
1	10-49
2	50-99
3	100-499
4	500-999
5	1000-2499
6	2500-4999
7	5000 plus

Actual number of employees _____.

Please return the completed questionnaire to:
ECONOMIC POLICY DIVISION/EMPLOYEE BENEFITS SURVEY
U.S. CHAMBER OF COMMERCE/WASHINGTON, D.C. 20062

U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062

0246

12/90